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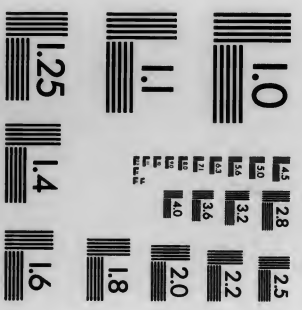
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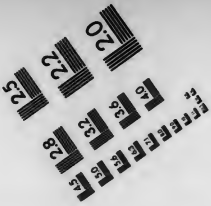
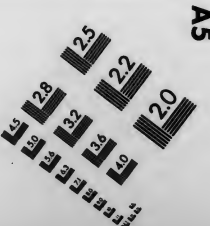
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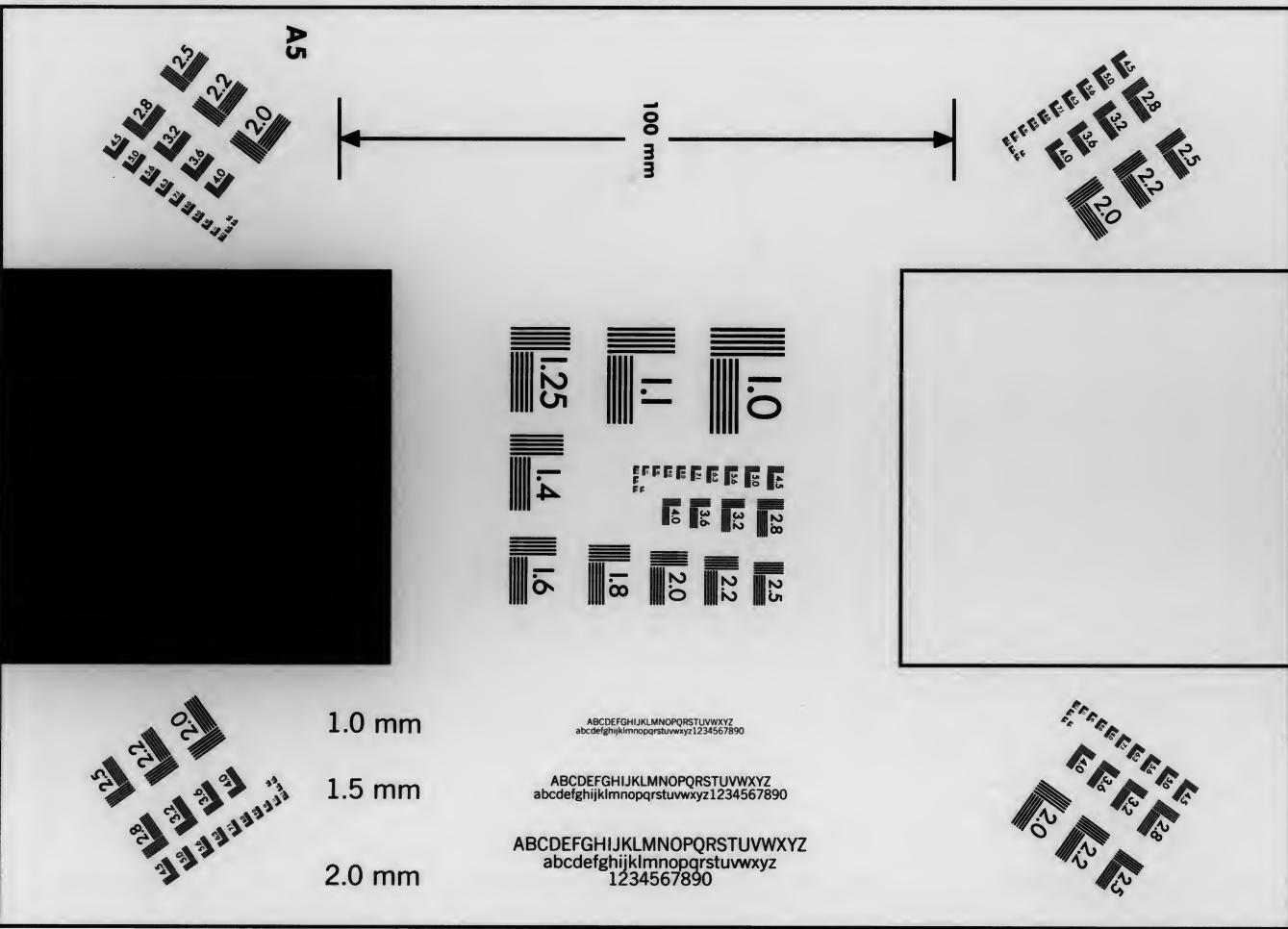
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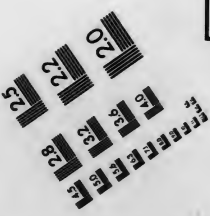
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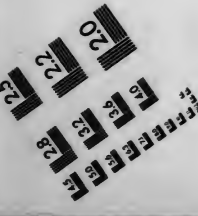
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VOL. XII.

SOLICITORS' ACCOUNTS.

BY

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(OF THE FIRM OF SELLARS, DICKSEE & CO.),

Formerly Professor of Accounting at the University of Birmingham; now Lecturer at the London School of Economics and Political Science (University of London).

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EDITOR'S PREFACE.

THE object of the series of handbooks that is being published under heading of THE ACCOUNTANTS' LIBRARY is to provide, at a reasonable price, detailed information as to the most approved methods of keeping accounts in relation to all the leading classes of industry whose books call for more or less specialised treatment. No such series has hitherto been attempted; but there exist, of course, numerous separate works dealing with the accounts of one particular class of undertaking. These separate works are, however, for the most part either too expensive, or too superficial to answer the purpose that is particularly aimed at by THE ACCOUNTANTS' LIBRARY, which is intended to supply the student with that specialised information which he may require, while at the same time affording to the trader, banker, or manufacturer who is not in a position to secure the fullest information for his purpose, knowledge which can hardly fail to be of the very greatest assistance to him in the correct keeping of his accounts, upon a system specially adapted to his requirements, and therefore involving a minimum expenditure of labour. It is expected that the series will also be found of material assistance to bookkeepers of all classes.

Without aiming at giving an exhaustive account of the manner in which each separate business is conducted, the technical points in connection with each industry will receive as much attention as is necessary in order fully to elucidate the system of accounts advocated, while each volume will be the work of one who has made that particular class of accounts more or less a speciality. It is obvious, however, that to enable the necessary ground to be covered in the space available, it is incumbent to assume upon the part of the reader a certain knowledge of general bookkeeping. The extent of the knowledge assumed will vary according to the nature of the class of accounts considered. For example, in the volumes on "Bank Accounts" and "Shipping Accounts," a thorough acquaintance with ordinary double-entry bookkeeping is not unnaturally assumed; but in the case, for instance, of "Auctioneers' Accounts," "Domestic Tradesmen's Accounts," and other similar volumes, such explanations are included as will enable the ordinary intelligent reader fully to grasp the methods described even although his knowledge of bookkeeping may be of an elementary description. These explanations are, doubtless, superfluous as far as accountants are concerned, but are necessary to make the volumes of value to the majority of those specially engaged in these particular industries.

To subscribers for the whole series it may be added that, when completed, it will form a most valuable and practically complete library, dealing, at the hands of specialists, with practically every class of accounts, and illustrating the application

of the theory of double-entry as described in general works on bookkeeping.

The first series (of twenty volumes) has already been completed, and particulars of the subjects dealt with will be found on p. i. A second series (which will comprise about thirty more volumes) is now in progress, which when issued will complete the scheme. Many of these have already been arranged for, but the Editor will be glad to receive suggestions and offers from accountants of experience for the undertaking of volumes not yet announced.

34 Moorgate Street,

London, E.C.

June 1903.

SOLICITORS' ACCOUNTS.

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CHAPTER I.

PRELIMINARY.

THE transactions between Solicitors and their Clients are, from a bookkeeping point of view, of a comparatively simple nature. They involve the receipt and payment of moneys on behalf of Clients; the undertaking of work on behalf of clients, for which a charge has to be made and recovered; and the incurring of various forms of expenditure, some of which are directly recoverable from Clients, while others are a general charge upon the profits of the business. There is nothing in these transactions that calls for any intricate or complicated system of bookkeeping; but, at the same time, it is especially desirable in connection with Solicitors' Accounts that the books, such as they are, should be kept accurately and systematically and invariably written up close to date.

The main distinction between the accounts of Solicitors and the simplest form of ordinary commercial accounts lies in the fact that probably the majority of the sums received and paid away by Solicitors are so received and paid in trust for others. It thus becomes important not merely that the records should be kept with especial accuracy, but also that the moneys received in trust should be kept separate from the Solicitor's own moneys, and maintained intact, subject only to the reduction of such payments as may properly be made thereout. In this connection reference may be permitted to the report of the Special Committee of the Incorporated Law Society which

was appointed in April 1900 to enquire into the best means of protecting Solicitors and the public against such malpractices as had (then) recently been disclosed. This report deals with several matters other than the one now under consideration, but it is thought desirable to reproduce the recommendations with regard to accounts in full, as these cannot fail to carry authority by reason of the representative character of the Committee appointed.

The recommendations referred to are as follows:—

"It is, of course, merely a truism to say that in every well-conducted business proper accounts should be kept, and yet the Committee have reason to believe that amongst some Solicitors there is considerable laxity and carelessness in this respect. It is equally a truism to say that no accounts, however perfect, are a protection against designed dishonesty; but proper accounts, regularly and carefully kept, and periodically made up and audited, and a Balance Sheet prepared, are some safeguard both to the Solicitor himself and his Clients. Carelessness in this respect, without any intention of dishonesty, produces confusion, which, under certain circumstances, may drift into dishonesty.

"Trust Accounts can, with few exceptions, always be kept at a bank in the name of the Trustees, and whenever possible this should be done. It enables a Solicitor to relieve himself from the responsibility of holding the money or securities belonging to the trust.

"In all trusts of any magnitude or complexity it is very desirable that the accounts should be periodically audited; and to guard against any danger of the expense of such audit falling upon the Trustees it is desirable that provisions should be introduced into wills and settlements, authorising Trustees to have such audit made at the expense of the estate.

"It is not necessary, nor is it good practice, that Solicitors should (except, perhaps, in some very rare case) hold money belonging to their Clients for any lengthened period. It should be paid to the Client's banking account, or deposited in his name. It is important for Solicitors to remember that they are not bankers, and ought not to make use of their Clients' money in their hands. Where

accounts are properly and carefully kept, the books speak for themselves, and there is no absolute necessity for any separate banking account to secure this, but many Solicitors do keep a banking account separate from their own, and identified as a Trust Account, to which they place all money in their hands belonging to their Clients; and in the opinion of the Committee it is very desirable that, as far as possible, this course should be adopted in addition to the careful keeping of accounts. It may be said that with a dishonest man this course will not prevent misappropriation, and the observation is true, but it is a protection against himself to a man who may be careless but does not intend to be fraudulent."

It will be seen that the Committee considered it necessary, not merely to draw attention to the desirability of Trust Accounts being kept systematically, but also to emphasise the due importance of accurate and regularly balanced accounts generally. A perusal of these pages will, it is hoped, suffice to show that, so far from adding complications or increasing work, an accurate and reliable system of accounts very materially tends to simplify matters, and to reduce the amount of time occupied on accounts, not merely by subordinates, but also by the principals themselves.

It would seem, however, as though any really general improvement in the matter of Solicitors' bookkeeping has been retarded by serious differences of opinion on the part of leading practitioners as to desirability of opening a separate bank account for Clients' moneys. There are doubtless many Solicitors' offices where due attention is given to proper accounting, and where all necessary distinction between Clients' moneys and the moneys of the firm is obtained by pure bookkeeping, and in such cases it may, perhaps, be conceded that the physical separation effected by distinct bank accounts is unnecessary. It is quite intelligible that these firms should not care to assent to a proposition that would, by implication,

condemn their past actions. So long as the system of accounts employed is adequate, it can hardly be condemned on purely technical grounds; but, on the other hand, it is incontestable that the opening of a separate banking account for Clients' moneys enables the Solicitor to employ a very much simpler system of account-keeping than that which represents the minimum of the mono-account method—a very important advantage when it is borne in mind that no system can produce satisfactory results that is too complicated to be completely comprehended by its owner. While it is admitted that it is quite practical to design an entirely adequate system of Solicitors' Accounts with only one bank account, it is suggested that such a system—whatever its precise nature—could actually be simplified by the introduction of a separate bank account for Clients' moneys. In this connection it may be mentioned that in New Zealand the Law Practitioners Act, 1892, provides as follows:—

2. All moneys hereafter to be received for or on behalf of any person by any Barrister or Solicitor shall be held by him exclusively for such person, to be paid to the said person or as he shall direct; and until so paid such moneys shall be paid into a bank carrying on business under the authority of an Act of the General Assembly to a general or separate Trust Account; and such moneys shall not be available for payment of the debts of any other creditor of such Barrister or Solicitor, nor shall such moneys be liable to be attached or taken in execution under the order or process of any Court at the instance of any such creditor.

The word "person" in this section shall include a company or other corporate body.

Any Barrister or Solicitor who knowingly acts contrary to the provisions of this section shall be liable, for every such offence, to a penalty not exceeding one hundred pounds.

Nothing in this section contained shall be construed to take away or affect any just claim or lien which any Barrister or Solicitor as aforesaid may have against any moneys so received by him.

In the United Kingdom there is, of course, no similar law, but the report of the case in *Re a Solicitor; ex parte The Incorporated Law Society*, which came before the Divisional Court on the 19th May 1905, has been thought of sufficient importance to justify reproduction in the Appendix to this edition. (*Vide* page 90.)

It need, perhaps, hardly be said that no one system of accounts that could be devised would be equally useful to every conceivably different type of practice. The underlying principles will, of course, be identical in all cases, but the simplest means of achieving the required end will naturally depend to a large extent upon the circumstances of each particular case. The chief factor of difference will, however, in all cases be the magnitude of the transactions, and for that purpose practices may conveniently be classified as—

- (a) Small,
- (b) Medium-sized,
- (c) Large,

according to whether the accounts may be kept wholly (or chiefly) by one of the principals; by one bookkeeper, combining the functions of cashier and bill clerk; or by several bookkeepers. The special requirements of each of these classes will be considered in detail later, but for the moment it will suffice to indicate the general lines which the records should in every instance preserve.

First and foremost, there must be an accurate record of all moneys received and paid, the moneys received on account of Clients, and the payments on their behalf out of the moneys so received, being kept separate from the general moneys of the firm. In the second place, there must be a systematic record of the work done on behalf of Clients, from which the

Bills of Costs can be prepared. In the third place, there must be an equally systematic and reliable record of all expenditure paid or incurred on behalf of Clients, or on behalf of the business generally. And, finally, there must be Ledger Accounts showing the position of the firm with regard to each separate Client, and also accounts properly analysing and classifying the various items of income and expenditure. Even in a large practice the number of different books required need not be large, and it will therefore be convenient, in the first instance, to describe a complete system of accounts which will be found adequate to all requirements, indicating from time to time the various simplifications that might occasionally be introduced with advantage in the case of medium-sized or small concerns. That the reader may obtain at the outset a general idea of the scheme proposed, however, the following brief summary of the system advocated is included in the present chapter.

Group I. Bills of Costs.—

Daily record of work done on behalf of Clients recorded in—

- (a) Diaries or Daily Sheets,
- (b) Call Book,
- (c) Press-copy Letter Book (or Files).

Written up daily in—

- (d) Draft Bills of Costs in respect of each matter.

For purposes of reference each Draft Bill when commenced is entered in—

- (e) Index to Draft Bills,

which also shows the date when the Bill is completed and delivered.

The first book of account, properly so-called, is—

- (f) Bills Delivered Book,

which in some cases may be further amplified so as to serve as a Bills Ledger as well. In any event, however,

- (g) Clients' Ledger

will be required in addition.

Group II. Disbursements.—

In connection with this group, each book is a book of account.

- (h) Petty Cash Book

records all payments made other than by cheque, whether on behalf of Clients or for business expenses. These are posted up to the various accounts concerned in—

- (i) Disbursements Ledger,

while all expenses which have to be charged up, but have not been actually paid, are recorded through—

- (j) Disbursements Journal.

A separate account should be provided in the Disbursements Ledger for each Client, and when a Bill of Costs is rendered to that Client the total disbursements incurred on his behalf are included in the Bill and written off in the Disbursements Ledger.

In the case of small businesses this group may be omitted, or considerably restricted, the necessary entries being made through the General Cash Book direct into the Clients' Ledger.

Group III. General Books.—

These comprise—

(k) General Cash Book,

recording all receipts and payments of money other than on account of special trust funds, or of petty cash;

(l) Private Ledger.

It will be seen that the total number of books would be about four in the case of small practices, and seven in the case of the largest, and it must be admitted that in neither case are these numbers excessive.

CHAPTER II.

THE CASH BOOK.

ATTENTION has already been drawn to the recommendation of the Special Committee of the Incorporated Law Society that Trust Accounts can, with very few exceptions, be kept at a bank in the name of the Trustees, and whenever possible this should be done. In the case of continuing trusts—or indeed, of any trust, save where the amount involved is trifling, and the trust is likely to be of quite short duration—every argument is undoubtedly in favour of a separate banking account being kept in respect of the transactions. By this means alone a Solicitor can be absolutely certain that under no conceivable circumstance will he find himself in the position of having mixed up trust moneys with other moneys; while from a bookkeeping point of view, if the transactions in respect of each trust are separately banked, the account-keeping in respect of those trusts is reduced to a minimum. In the great majority of cases the only account required is a Cash Account, which will then be a slightly elaborated copy of the Bank Pass Book; while difficult, confusing, and troublesome “cross-entries” in the books of the firm are entirely avoided. Whatever may be received on account of each trust is paid in to a separate account to the credit of that trust, and whatever payments fall to be made out of those trust moneys are made by cheques drawn upon that special account. This applies even to the payment of the Solicitor’s own costs, which will then be treated in his books upon precisely the same footing as those due from any other Client.

It will be seen that a Cash Book kept upon these lines shows separately the balance at the firm's bankers, and the balance to the credit of Clients' Account. By this means a Solicitor can at any time ascertain the amount of his own moneys that is available to meet expenditure, while it becomes physically impossible for him inadvertently to draw upon Clients' moneys for his own needs. The actual moneys being thus kept separate, the receipts and payments upon both accounts may be posted indifferently to proper accounts in the Clients' and Private Ledgers; but in the case of large businesses it will be convenient to provide separate columns for the posting into each separate Ledger, in order to facilitate the sectional balancing of the books.

It need hardly be added that the receipts and payments on Clients' Account should be kept posted up from day to day, and no Clients' Account should under any circumstances be allowed to become overdrawn. This is important, as the effect of allowing an account to become overdrawn is to lend the money of one Client to another without his authority. If the Solicitor likes to make advances on behalf of his Clients, such advances should be made by cheques drawn on his own account, and not by cheques drawn on his Clients' Account.

It need, perhaps, hardly be added that all moneys received should invariably be banked in the course of the same day, and all payments recorded in the Cash Book should be made by cheque on one or other of the two Bank Accounts. Wherever cash payments are absolutely necessary, they should be made through the Petty Cash Book, save in the case of large sums required for completions, &c., and these sums should be provided by cashing an open cheque which has been drawn for the exact amount required. If the exact amount is not known, the cheque may be drawn for something in excess of the

expected requirements, and the particulars (when ascertained) entered on the counterfoil of the cheque, the excess being subsequently paid again into the Bank Account. In the *pro forma* Cash Book shown on page 11 a transaction of this description is indicated.

A Solicitor should always be ready to produce proper vouchers in support of all payments that he may debit to his Clients. Vouchers should therefore always be obtained, and systematically numbered and filed away. When preparing a Cash Account in respect of each separate matter, it then becomes quite simple to refer to the Cash Book for the numbers of the vouchers required, and to get them out and attach them to the account that is to be submitted for inspection. Of course, in many cases vouchers will not be called for; but the bookkeeper should always be ready to supply them, not merely for the satisfaction of Clients, but also for the inspection of his principals or the auditors.

It has already been pointed out that where a special banking account is opened in respect of one particular matter, the Pass Book itself contains a complete record of all the transactions occurring therein. It is, however, as a rule desirable that a more detailed account should be kept up from day to day, so as to be immediately available at any time. It is therefore suggested that a special Cash Book should be kept in respect of each such matter, containing full particulars of all receipts and payments and references to the necessary vouchers in support thereof. This system readily adapts itself to employment in connection with the accounts of Trusts; the "cash" columns correspond with the entries in the Pass Book, while the "securities" columns give all needful information as to trust investments, save in the case of quite large trusts which require a full set of books. Two great advantages of this system—in addition to those already

indicated—are (1) that the accounts in respect of these estates can then be submitted to an independent audit without any disclosure being made of other matters; (2) the bookkeeping of the firm is materially simplified, the auditor's work lessened, and the audit fee to a corresponding extent reduced.

The cash records of the business must in all cases be full and complete. That being so, they do not vary materially, however large or small the business itself may be. In the case of very large concerns, however, where a great number of Clients' Accounts are involved, it becomes very desirable to provide a form of Cash Book which would allow of each Ledger being separately balanced, with a view to "localising" any mistake that may happen to have been made in the posting. To enable this to be done separate columns must be provided for the items posted into each Ledger that may be in use. The following example shows a form of Cash Book suitable where there are two Clients' Ledgers and a Private Ledger. It will be seen that the addition of these columns in no way takes away the clearness of the record of the balance standing upon each Bank Account, while the manner in which the additional columns are utilised to enable the Ledgers to be balanced separately will be most conveniently described when considering the Ledgers themselves:—

| CASH. | | | | CONTRA. | | | | Cr. | |
|-------|-------------|-------------|------------|--------------------|---------------------|----------------|------------------|-----------------------|--|
| Date | Particulars | Voucher No. | Ledger Fo. | Clients' Ledger i. | Clients' Ledger ii. | Private Ledger | Own Bank Account | Client's Bank Account | |
| | | | | £ s d | £ s d | £ s d | £ s d | £ s d | |

DISBURSEMENTS.

The most convenient form of Petty Cash Book will depend to a large extent upon circumstances. Generally speaking, it will be found desirable to post up all payments made on account of Clients in detail, and to provide three or four Analysis columns for the "dissection" of establishment charges. Occasionally, however, it will be found convenient to provide a special Analysis column for the disbursements on account of a particular Client (when, for example, these are especially numerous), as by this means much detailed posting may be avoided, while the Petty Cash Book will at all times afford full particulars of the items. As a rule, however, special columns for each Client's accounts are not recommended, save where the matter is in the nature of a regular appointment—*e.g.* the secretaryship of a company.

* In exceptional cases it may be convenient to pay an account outstanding in the Disbursements Ledger by cheque. In such a case the cheque should be passed through the Petty Cash Book on both sides—as a receipt from “Cash” and as a payment to the creditor concerned. Upon the whole, however, it is thought preferable not to pass any entry through the Petty Cash Book that can be dealt with equally well through the Cash Book.

 D_i [illegible]

It will be seen upon reference to the preceding example that those expenses which are not debited to creditors or Clients in detail are posted to the debit of accounts in the Disbursements Ledger in monthly or other periodical totals, so that from time to time every payment is posted (either in detail or in total) to the debit side of the Disbursements Ledger. In order that the accuracy of these postings may be tested, the total payments should be posted to the credit of an Adjustment Account in the Disbursements Ledger, as by this means the double-entry record in that Ledger is kept complete, and so a Trial Balance can be extracted which at any time should agree. It is recommended that the Disbursements Ledger be balanced at least once a month; and in the case of large businesses, where the number of transactions involved is very numerous, the totals should be posted and the Ledger balanced at intervals of a week.

The only other entries into the Disbursements Ledger would be through the Disbursements Journal. This is a Journal of the ordinary type, which serves three purposes, (a) to record charges against Clients which are not accompanied by a corresponding immediate payment, as, for instance, when parchments, forms, &c., are used on their account; (b) to record miscellaneous liabilities incurred in respect of stationery and the like, which are not paid for at the time (in practice it will frequently be found convenient to ignore these liabilities until they are actually paid, except at balancing time, when the total amount of all outstanding accounts may be brought into the books, and the various nominal accounts concerned debited); (c) to write off the balances standing to the debit of Clients in this Ledger when these charges are included in their respective Bills of Costs and the Bills rendered. In order to preserve the double-entry the corresponding debit for balances so written off when the Bills are rendered must be made to the Adjustment Account. An example of this Adjustment Account is given below, which will enable the exact working to be followed:—

| Dr. | | ADJUSTMENT ACCOUNT | | Cr. | |
|--------|----------------------------------|--------------------|----------|--------------------------------|----------|
| | | £ | s d | £ | s d |
| 1909 | | 12 | 16 9 | | 49 1 2 |
| Dec. 1 | To Balance (Creditors) .. | .. | | By Balance (Debtors) .. | .. |
| 31 | .. Bills Rendered .. | .. | 14 1 10 | .. Petty Cash Payments .. | 27 15 1 |
| " | .. Cash Received from Cashier .. | 30 0 0 | | .. Cash Repaid to Cashier .. | 2 4 11 |
| " | .. Balance down (Debtors) .. | 28 12 7 | | .. Balance down (Creditors) .. | 6 10 0 |
| | | | £85 11 2 | | £85 11 2 |
| 1910 | | 6 | 10 0 | | 28 12 7 |
| Jan. 1 | To Balance (Creditors) .. | .. | | By Balance (Debtors) .. | .. |

The *pro forma* Disbursements Journal shown on page 37 contains examples of each of the various classes of entry already indicated.

In all but the smallest businesses it is suggested that the balance of advantage and convenience is greatly in favour of a separate "group" of books being kept for the record of Disbursements; but in the case of quite small practices the following simplified method may be found more convenient. The Petty Cash Book to be kept as before explained, but the postings made direct to the Clients' and Private Ledgers, instead of through the Disbursements Ledger. If this plan be adopted, it will be found convenient to provide double columns to the Clients' Ledger Accounts, posting the disbursements into the inner column, and only extending them when the Bill of Costs is delivered, as shown in the following example:—

| Dr. | | Cr. | |
|----------|----------------------|---------|---------|
| 1910 | | 1910 | |
| April 20 | To Fares | .. | £ s d |
| 22 | " Counsel's Fees | .. | 6 10 0 |
| May 6 | " Costs, as rendered | .. | £6 10 0 |
| | | 132 | |
| | | By Cash | |
| | | June 30 | |
| | | £ s d | |
| | | £ 1 0 6 | |
| | | 1 3 6 | |
| | | .. | |
| | | 5 5 0 | |
| | | 1 5 0 | |
| | | £6 10 0 | |

CHAPTER IV.

BILLS OF COSTS.

IT is not until a Bill of Costs has been delivered that it takes its place as an item in the effective system of double-entry bookkeeping, but the importance of the preliminary records being kept accurately and systematically cannot well be exaggerated. It is desirable that the Draft Bills should be made out as fully and completely as possible, not merely in order that the Solicitor may receive due benefit from all the work that he has performed, but also because, unless full particulars of that work are supplied, the Client may easily entertain quite a mistaken idea as to the reasonableness of the amount charged. Moreover, in the case of a contentious business, where the costs have to be taxed, it is, of course, imperative that the fullest possible details should be available.

These details may to a large extent be obtained from the Call Book and the press-copy Letter Books, showing respectively the persons who have been attended by members of the firm and principal clerks, and the letters that have been written; but, apart from these, especial importance attaches to the Diaries or Daily Sheets kept by the partners and the various members of their staff. These should record in sufficient detail all the work that each has performed during the day. They should invariably be kept up from day to day, so that nothing

may be omitted, and should be sufficiently explicit to enable the Bills Clerk to grasp the nature of the proceedings, and so make the proper entries in the Draft Bills of Costs. Prior to doing this, however, the Bill Clerk should carefully check the Diaries against the Call Book and the press-copy Letter Books, with a view to seeing (as far as possible) that nothing has been omitted.

The Draft Bill of Costs in respect of each matter should be kept quite separate, so that it may be added to from time to time as occasion may require, and it should, of course, contain full particulars of all work done from time to time and all disbursements incurred. The disbursements will be taken primarily from the corresponding account in the Disbursements Ledger, but an intelligent Bill Clerk will be able to perceive from the nature of the various entries whether all proper disbursements have been charged up, and by this means omissions may frequently be discovered before it is too late for them to be debited. Such omissions might arise either through a partner having made payments which he has omitted to get back from the Petty Cashier, or through the latter having omitted to debit a Client with Stationery, Forms, &c., used out of general stock. In some cases items will have been charged up in the Clients' Ledger direct.

It has already been stated that the Draft Bill of Costs in respect of each separate matter ought at any time to show the actual costs incurred up to date. This, however, would be comparatively valueless without a convenient system of reference. Accordingly all such Bills should be numbered and entered up under that number in the Index to Draft Bills, which may be conveniently kept in the following, or some similar, form:—

| INDEX TO BILLS OF COSTS. | | | | | |
|--------------------------|----------------|---------|--------|-------------------|------------------|
| Consecutive No. | Name of Client | Address | Matter | Date Commenced | Date Rendered |
| | | | | | |

J

(Index cut through book.)

When a matter is completed and the Bill rendered, the Index should be marked accordingly, as shown above, and the Draft Bill filed away in its proper place, so as to reduce as far as possible the number of Draft Bills that have to be handled from day to day. The Drafts of Bills rendered must, however, of course, be at all times available for reference, if required.

It is usual to keep a press copy of all Bills of Costs that are sent out, and the practice is certainly one possessing many conveniences. Where, however, the drafts are complete it is not absolutely essential. In many cases, however, detailed bills will not be rendered at all, a smaller sum being accepted upon the understanding that a detailed Bill will not be asked for. Where this occurs a note to that effect should be made upon the Draft Bill, together with a memo. of the total actually charged.

All Bills as delivered should be entered up in a Bills Delivered Book, which, in its simplest form, follows the lines of a trader's Day Book. Such a form is given below:—

BILLS DELIVERED BOOK for $\frac{\text{month}}{\text{quarter}}$ ending.....19..

| Date of Bill | Consecutive No. | Name of Client | Address | Matter | Ledger Fo. | Amount of Bill |
|--------------|-----------------|----------------|---------|--------|------------|----------------|
| | | | | | | £ s d |
| | | | | | | |

The items in the above book are posted to the debit of the Clients' Ledger, and the monthly, quarterly, or half-yearly totals to the credit of Costs Account in the Private Ledger. For practical purposes, however, so simple a form is undesirable, unless the form of Clients' Ledger shown on page 21 be employed, as it is necessary not merely to deal with the total amount that the client is called upon to pay, but also with the dissection of that total into Costs and Disbursements. The simplest form likely to be of general service, therefore, is the following, which may be used either with a separate Disbursements Ledger, or where the disbursements are recorded in an inner column in the Clients' Ledger.

| Date of Bill | Name of Client | Address | Matter | Amount of Bill | Date Received | C.B. Fo. | Amount Received | Ledger Fo. | Allowances and Transfers | Disbursements Ledger Fo. | Disbursements | Net Costs |
|--------------|----------------|---------|--------|----------------|---------------|----------|-----------------|------------|--------------------------|--------------------------|---------------|-----------|
| | | | | £ s d | | | £ s d | | £ s d | | £ s d | £ s d |

It will be seen that, in the case of any Bill of Costs which is paid during the current financial period, it is unnecessary to open a separate Ledger Account if the above form of tabular Bills Ledger be used. All Bills, however, that are outstanding when balancing time comes must be transferred to the Clients' Ledger in the usual way. In addition, it need only be pointed out that, although no Ledger Account *need* be opened if the Bill of Costs be promptly paid; yet, if for any reason it *is* desired to open a Ledger Account for a Client, there is nothing in the form of ruling provided that throws any difficulty in the way, nor is it necessary to wait until the end of the financial period. Those accounts which it is thought desirable to transfer to the Clients' Ledger may be transferred at any time; while those which it is thought will be settled up shortly may be kept open, so that if they are paid the Cash may be posted into the Bills Ledger; while if, after all, balancing time comes round before they are settled, they can then be taken into the Clients' Ledger.

In some cases it may be thought desirable to provide an even longer interval between the rendering of a Bill and the necessity for opening a special account in the Clients' Ledger. In such cases it is recommended that the extended form of tabular Bill Book be employed, which is shown on page 45 in connection with the *pro formâ* set of accounts worked in Chapter V. From a theoretical point of view this extension might be continued indefinitely, but for practical purposes it is thought that as a rule it is best to post outstanding Bills into the Clients' Ledger every time the books are balanced.

If any form of tabular Bill Book be employed, an index should invariably be provided, so that the various transactions with each Client may readily be traced, even though they be scattered over a lengthy period.

Apart from the considerable saving of labour, one very material advantage of the tabular form of Bill Book is that it enables the collection of outstanding accounts to be very much more easily watched, either by the bookkeeper or the principals. On the other hand, if there are other transactions between the Solicitor and the Client beyond the Bill of Costs and its payment, it is manifestly more convenient that they should all be focussed together into one Ledger Account of the ordinary type, even if a special remittance may happen to have been made to cover the Costs.

Whatever form of Bill Book be adopted, it is very important to bear in mind that the total of the Bill *rendered* is not necessarily the amount to be entered in the Bill Book. The reason for this is that the amount due may include payments made on account of the Client which are already debited to his account in the Clients' Ledger, or the amount due may have been reduced by sums received on account which have been credited in the Clients' Ledger. The amount to be entered in the Bill Book should be such a sum as will, when posted, make the debit balance standing on the Clients' Ledger Account equal to the sum actually due from him.

Thus, suppose the Ledger Account of Alfred Jones & Co. to be as follows:—

| Dr. | | | | ALFRED JONES & Co. | | | | Cr. | | | | | |
|---------|-------------------------|----|----|--------------------|---|---|---------|--------------------|--|--|----|---|---|
| 1909 | | | | £ | s | d | 1909 | | | | £ | s | d |
| Oct. 16 | To Cash paid into Court | .. | .. | 25 | 0 | 0 | Oct. 10 | By Cash on Account | | | 50 | 0 | 0 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

The Bill of Costs shows that £42 9s. 7d. is the net amount due from Alfred Jones & Co. when the matter is closed.

At the foot of the Draft Bill of Costs the following memorandum should be made *in red ink*:—

| | £ | s | d |
|---|-------|---|---|
| Total Amount due | 42 | 9 | 7 |
| Add Amount received on Account | 50 | 0 | 0 |
| | <hr/> | | |
| | 92 | 9 | 7 |
| Deduct Amounts already debited in Clients' Ledger | 25 | 0 | 0 |
| | <hr/> | | |
| Amount to be now debited | £67 | 9 | 7 |

The amount to be entered in the Bill Book is thus £67 9s. 7d., and when this has been entered up and posted, Alfred Jones & Co.'s Ledger Account will show a debit balance of £42 9s. 7d.—the amount for payment of which application is now being made.

CHAPTER V.

LEDGERS.—PRO FORMA TRANSACTIONS.

THE detailed work in connection with the records of Cash, Disbursements, and Bills of Costs has now been considered. It remains to be shown how these various records are marshalled together in the Ledgers so as to enable the usual Balance Sheet and Profit and Loss Account to be prepared periodically. It is thought, however, that this portion of the system can be dealt with better by the aid of a short series of transactions, rather than by any verbal description. The following *pro forma* books are therefore given, such explanations as may seem necessary being added in the form of foot-notes.

On the 31st December 1908 the Balance Sheet of Messrs. Sharp & Telling stood as follows:—

MESSRS. SHARP & TELLING.

BALANCE SHEET, 31st December 1908.

| | | £ s d | | £ s d | | £ s d | |
|----------------------|----|-------|------|---|----|--------|-------|
| Liabilities | | £ s d | | Assets | | £ s d | |
| CAPITAL ACCOUNTS:— | | | | LEASEHOLD PREMISES (less Depreciation) | | | |
| James Sharp, .. | .. | 1,250 | 0 0 | OFFICE FURNITURE, &c. (less Depreciation) | .. | 846 | 12 0 |
| Richard Telling .. | .. | 1,000 | 0 0 | | .. | 472 | 12 9 |
| SUNDRY CREDITORS:— | | | | SUNDRY DEBITORS:— | | | |
| Clients' Ledger | .. | 306 | 10 2 | Bills Ledger .. | .. | 254 | 12 0 |
| Disbursements Ledger | .. | 6 | 6 0 | Clients' Ledger .. | .. | 382 | 16 8 |
| Rates .. | .. | 9 | 14 0 | Disbursements Ledger | .. | 18 | 11 2 |
| Salaries .. | .. | 4 | 2 0 | STOCK OF STATIONERY | .. | 655 | 19 10 |
| Repairs .. | .. | 3 | 2 0 | | .. | 12 | 0 0 |
| | | | | CASH:— | | | |
| | | | | Own Account | .. | 487 | 19 5 |
| | | | | Clients' Account | .. | 306 | 10 2 |
| | | | | | | 594 | 9 7 |
| | | | | | | £2,581 | 14 2 |

It will be convenient to consider first the "group" relating to Disbursements. This comprises—

Petty Cash Book.

Disbursements Journal.

Disbursements Ledger.

Examples of each of these are given in the following pages, containing *pro forma* transactions of Messrs. Sharp & Telling for the half-year ending 30th June 1910.

Dr.

93—*PETTY CASH BOOK for the half-year ending 30th June 1910.

Cr.

| Total Receipts | Date | Particulars | Voucher No. | Total Payments* | Salaries | Stationery | General Expenses | Sundries† | Ledger Fo. | Clients' Disbursements† |
|----------------|-------------|-----------------------------------|-------------|-----------------|----------|------------|------------------|-----------|------------|-------------------------|
| £ s d | | | | £ s d | £ s d | £ s d | £ s d | £ s d | | £ s d |
| 20 0 0 | 1910 Jan. 1 | Cash | ✓ | | | | | | | |
| | 9 | Ashtead: Stamp ros.; Fares 6d. .. | 1621 | 10 6 | | | | | 2 | 10 6 |
| | 15 | Executors A. Pryde: *Expenses .. | 2 | 15 19 4 | | | | | 7 | 15 19 4 |
| | 18 | Slater & Cramp: Fares .. | 3 | 17 6 | | | | | 9 | 17 6 |
| 20 0 0 | 20 | Office Salaries .. | ✓ | 15 0 0 | 15 0 0 | | | | | |
| | 31 | "Expenses .. | 1624 | 2 9 6 | | | 2 9 6 | | | |
| 20 0 0 | " Feb. 14 | Cash | ✓ | | | | | | | |
| | 22 | Sable & Walsh, Lim: Stamps .. | 1626 | 5 12 6 | | | | | 8 | 5 12 6 |
| | " 28 | Stationery .. | 7 | 2 14 2 | | 2 14 2 | | | | |
| | " 28 | Office Salaries .. | 8 | 15 0 0 | 15 0 0 | | | | | |
| | " 28 | "Expenses .. | 9 | 2 8 0 | | | 2 8 0 | | | |
| 25 0 0 | " Mar. 1 | Cash | ✓ | | | | | | | |
| | 6 | Frankfort, H.: Expenses .. | 1630 | 6 9 | | | | | 3 | 6 9 |
| | " 8 | Terrier, W. .. | 1 | 6 6 0 | | | | | 6 | |
| | " 8 | Stylish & Co. .. | 2 | 4 12 9 | | | | | 4 | |
| 85 0 0 | | Forward .. | 94 | 71 17 0 | 30 0 0 | 2 14 2 | 4 17 6 | 10 18 9 | | 23 6 7 |

*The various payments would in practice be entered in full detail.

† These two columns might be combined.

94 C 1—*PETTY CASH BOOK for the half-year ending 30th June 1910.

Dr.

Cr.

| Total Receipts | Date | Particulars | Voucher No. | Total Payments* | Salaries | Stationery | General Expenses | Sundries † | Ledger Folio | Clients' Disbursements ‡ |
|----------------|------------|----------------------------|-------------|-----------------|----------|------------|------------------|------------|--------------|--------------------------|
| £ s d | | | | £ s d | £ s d | £ s d | £ s d | £ s d | | £ s d |
| 85 0 0 | 1910 .. 29 | Forward .. | 93 | 71 17 0 | 30 0 0 | 2 14 2 | 4 17 6 | 10 18 9 | | 23 6 7 |
| | Mar. 29 | Office Salaries .. | 1033 | 10 0 0 | 10 0 0 | .. | .. | .. | 11 | 1 14 2 |
| 15 15 0 | April 1 | " Expenses .. | 4 | 2 0 9 | .. | .. | 2 0 9 | .. | | .. |
| | " 11 | " Cash .. | 1035 | 1 14 2 | .. | .. | .. | .. | | .. |
| | " 30 | Westcott, B.: Fees .. | 6 | 10 0 0 | 10 0 0 | .. | .. | .. | 10 | 4 12 6 |
| | " 30 | Office Salaries .. | 7 | 2 7 8 | .. | .. | 2 7 8 | .. | | .. |
| 20 0 0 | May 3 | Walton, C.: Stamps, &c. .. | 8 | 4 12 6 | .. | .. | .. | .. | | .. |
| | " 16 | Cash .. | ✓ | 10 0 0 | 10 0 0 | .. | 2 17 1 | .. | | .. |
| | " 31 | Office Salaries .. | 1039 | 2 17 1 | .. | .. | .. | .. | | .. |
| 20 0 0 | June 10 | " Cash .. | ✓ | 1 4 8 | .. | 1 4 8 | .. | .. | | .. |
| | " 12 | Stationery .. | ✓ | 15 0 0 | 15 0 0 | .. | .. | .. | | .. |
| | " 30 | Office Salaries .. | 1641 | 3 3 5 | .. | .. | 3 3 5 | .. | | .. |
| | " " | " Expenses .. | 3 | 134 17 3 | 75 0 0 | 3 18 10 | 15 6 5 | 10 18 9 | | 29 13 3 |
| | 30 | Repaid Cashier† | 1644 | 5 17 9 | .. | .. | .. | 5 17 9 | 1 | .. |
| £140 15 0 | | | | £140 15 0 | £75 0 0 | £3 18 10 | £15 6 5 | £10 16 6 | | £29 13 3 |

* The various payments would, in practice, of course be entered in full detail.

† These two columns might be combined.

‡ Entries in the two columns might be combined, whatever cash may remain in hand should be refunded to the cashier, and by him paid into the firm's bank. In practice the Petty Cash Book would be balanced, and the totals posted weekly or monthly.

116—*DISBURSEMENTS JOURNAL.

| | | | Dr. | Cr. |
|---------|---------------------------|----|----------|----------|
| 1910 | | | £ s d | £ s d |
| Feb. 12 | Stationery | 12 | 4 12 9 | |
| | To Stylish & Co. | 4 | .. | 4 12 9 |
| Mar. 31 | Executors A. Pryde | 7 | 2 9 1 | |
| | Sable & Walsh, Lim. | 8 | 4 16 4 | |
| | To Stationery | 12 | .. | 7 5 5 |
| June 30 | Stationery | 12 | 15 12 10 | |
| | To Stylish & Co. | 4 | .. | 15 12 10 |
| June 30 | Executors A. Pryde | 7 | 1 17 2 | |
| | C. Walton | 10 | 0 13 5 | |
| | B. Westcott | 11 | 2 4 1 | |
| | To Stationery | 12 | .. | 4 14 8 |
| June 30 | Executors A. Pryde | 7 | 25 4 0 | |
| | To A. Jorkins | 5 | .. | 18 18 0 |
| | „ W. Terrier | 6 | .. | 6 6 0 |

* In practice these entries would of course be made from day to day, and in full detail. If the form of Bill Book shown on page 25 be used, the Disbursements, as charged up, must be passed through this Journal, as explained on page 31.

DISBURSEMENTS LEDGER.

INDEX.

| | FOLIO |
|-------------------------------------|-------|
| Ashstead, Edward | 2 |
| Adjustment Account | 1 |
| Frankfort, Herbert | 3 |
| Jorkins, K.C., Albert | 5 |
| Pryde, Executors of A. (dec.) | 7 |
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| Slater & Cramp | 9 |
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| Terrier, Wilberforce | 6 |
| Walton, Cuthbert | 10 |
| Westcott, B. | 11 |

| 1—Dr. | | ADJUSTMENT | | | |
|---------|---------------------------|------------|-------|------|------|
| | | | | £ | s d |
| 1910 | | | | | |
| June 30 | To Cash—Salaries | 94 | | 75 | 0 0 |
| " | " " Office Expenses | " | | 15 | 6 5 |
| " | " " Repaid Cashier | " | | 5 | 17 9 |
| " | " Bills Rendered | B17 | | 26 | 8 8 |
| " | " Stationery | L12 | | 12 | 4 4 |
| " | " Balance down, viz. :— | | | | |
| | Debtors | £58 | 19 10 | | |
| | Creditors | 40 | 16 10 | | |
| | | | | 18 | 3 0 |
| | | | | £153 | 0 2 |

* Or the Debtors' and Creditors' balances might be

| 2—Dr. | | EDWARD | | | |
|--------|---------------|--------|--|---|------|
| | | | | £ | s d |
| 1910 | | | | | |
| Jan. 9 | To Cash | 93 | | 0 | 10 6 |

* The Bills Ledger (from which these

| 3—Dr. | | Re HERBERT | | | |
|--------|---------------|------------|--|---|-----|
| | | | | £ | s d |
| 1910 | | | | | |
| Mar. 6 | To Cash | 93 | | 0 | 6 9 |

| 4—Dr. | | STYLISH | | | |
|---------|----------------------|---------|--|-----|-------|
| | | | | £ | s d |
| 1910 | | | | | |
| Mar. 8 | To Cash | 93 | | 4 | 12 9 |
| June 30 | " Balance down | | | 15 | 12 10 |
| | | | | £20 | 5 7 |

ACCOUNT.

Cr.—1

| | | | | | | £ | s d |
|---------|-----------------------|----|----|----|----|------|------|
| 1910 | | | | | | | |
| Jan. 1 | By Balance* | .. | .. | .. | .. | 12 | 5 2 |
| June 30 | " Cash | .. | .. | .. | .. | 140 | 15 0 |
| | | | | | | | |
| | | | | | | £153 | 0 2 |
| 1910 | | | | | | | |
| July 1 | By Balance down | .. | .. | .. | .. | 18 | 3 0 |

brought down upon opposite sides of the Ledger.

ASHSTEAD.

Cr.—2

| | | | | | | £ | s d |
|---------|----------|----|----|----|----|---|------|
| 1910 | | | | | | | |
| Jan. 21 | By Bill* | .. | .. | .. | .. | 0 | 10 6 |

items are posted) is shown on page 45.

FRANKFORT.

Cr.—3

| | | | | | | £ | s d |
|--------|---------------|----|----|----|----|---|-----|
| 1910 | | | | | | | |
| June 4 | By Bill | .. | .. | .. | .. | 0 | 6 9 |

& Co.

Cr.—4

| | | | | | | £ | s d |
|---------|---------------------|----|----|----|----|-----|-------|
| 1910 | | | | | | | |
| Feb. 12 | By Stationery | .. | .. | .. | .. | 4 | 12 9 |
| June 30 | " " | .. | .. | .. | .. | 15 | 12 10 |
| | | | | | | £20 | 5 7 |
| 1910 | | | | | | | |
| July 1 | By Balance | .. | .. | .. | .. | 15 | 12 10 |

D

5—Dr.

*ALBERT

| | | £ | s | d |
|--|--|---|---|---|
| | | | | |

6—Dr.

*WILBERFORCE

| 1910 | | | £ | s | d |
|---------|------------------------|----|-----|----|---|
| Mar. 6 | To Cash | 93 | 6 | 6 | 0 |
| June 30 | „ Balance down | | 6 | 6 | 0 |
| | | | £12 | 12 | 0 |

* Counsel's Fees, if paid by cheque, would usually be

7—Dr.

EXECUTORS OF

| 1910 | | | £ | s | d |
|---------|--------------------------|------|-----|----|---|
| Jan. 1 | To Balance | | 9 | 12 | 0 |
| Jan. 15 | „ Cash | 93 | 15 | 19 | 4 |
| Mar. 31 | „ Stationery | 1116 | 2 | 9 | 1 |
| June 30 | „ „ | | 1 | 17 | 2 |
| „ | „ Counsel's Fees | | 25 | 4 | 0 |
| | | | £55 | 1 | 7 |
| 1910 | | | | | |
| July 1 | To Balance down | | 55 | 1 | 7 |

8—Dr.

SABLE &

| 1910 | | | £ | s | d |
|---------|----------------------|------|-----|----|----|
| Jan. 1 | To Balance | | 4 | 16 | 10 |
| Feb. 22 | „ Cash | 93 | 5 | 12 | 6 |
| Mar. 31 | „ Stationery | 1116 | 4 | 16 | 4 |
| | | | £15 | 5 | 8 |

JORKINS, K.C.

Cr.—5

| 1910 | | | £ | s | d |
|---------|-------------------------------|------|----|----|---|
| June 30 | By Executors—A. Pryde | 1116 | 18 | 18 | 0 |

TERRIER.

Cr.—6

| 1910 | | | £ | s | d |
|---------|------------------------------|------|-----|----|---|
| Jan. 1 | By Balance | | 6 | 6 | 0 |
| June 30 | „ Executors—A. Pryde | 1116 | 6 | 6 | 0 |
| | | | £12 | 12 | 0 |
| 1910 | | | | | |
| July 1 | By Balance | | 6 | 6 | 0 |

debited to Clients direct in the Clients' Ledger.

A. PRYDE (Dec.).

Cr.—7

| 1910 | | | £ | s | d |
|---------|-------------------------|--|-----|---|---|
| June 30 | By Balance down | | 55 | 1 | 7 |
| | | | £55 | 1 | 7 |

WALSH, LIM.

Cr.—8

| 1910 | | | £ | s | d |
|----------|-----------------|------|-----|---|---|
| April 22 | By Bill | 1117 | 15 | 5 | 8 |
| | | | £15 | 5 | 8 |

9—Dr.

SLATER &

| 1910 | | | | | | | | £ | s | d |
|--------|--|---------------|----|----|----|----|----|----|----|----|
| Jan. 1 | | To Balance .. | .. | .. | .. | .. | 93 | 4 | 2 | 4 |
| 18 | | „ Cash .. | .. | .. | .. | .. | | 0 | 17 | 6 |
| | | | | | | | | £4 | 19 | 10 |

10—Dr.

CUTHBERT

| 1910 | | | | | | | | £ | s | d |
|---------|--|-----------------|----|----|----|----|------|----|----|----|
| May 3 | | To Cash .. | .. | .. | .. | .. | 94 | 4 | 12 | 6 |
| June 30 | | „ Stationery .. | .. | .. | .. | .. | 1116 | 0 | 13 | 5 |
| | | | | | | | | £5 | 5 | 11 |

11—Dr.

B.

| 1910 | | | | | | | | £ | s | d |
|----------|--|--------------------|----|----|----|----|------|----|----|---|
| April 11 | | To Cash .. | .. | .. | .. | .. | 94 | 1 | 14 | 2 |
| June 30 | | „ Stationery .. | .. | .. | .. | .. | 1116 | 2 | 4 | 1 |
| | | | | | | | | £3 | 18 | 3 |
| 1910 | | | | | | | | | | |
| July 1 | | To Balance down .. | .. | .. | .. | .. | | 3 | 18 | 3 |

12—Dr.

STATIONERY

| 1910 | | | | | | | | £ | s | d |
|---------|--|---------------------|----|----|----|----|------|-----|----|----|
| Feb. 12 | | To Stylish & Co. .. | .. | .. | .. | .. | 1116 | 4 | 12 | 9 |
| June 30 | | „ Do. .. | .. | .. | .. | .. | .. | 15 | 12 | 10 |
| „ | | „ Cash .. | .. | .. | .. | .. | 94 | 3 | 18 | 10 |
| | | | | | | | | £24 | 4 | 5 |

* The Balance of this Account should be transferred to the

CRAMP.

Cr.—9

| 1910 | | | | | | | | £ | s | d |
|--------|--|------------|----|----|----|----|-----|----|----|----|
| Feb. 3 | | By Bill .. | .. | .. | .. | .. | 117 | 4 | 19 | 10 |
| | | | | | | | | £4 | 19 | 10 |

WALTON.

Cr.—10

| 1910 | | | | | | | | £ | s | d |
|--------|--|------------|----|----|----|----|-----|----|---|----|
| June 4 | | By Bill .. | .. | .. | .. | .. | 117 | 5 | 5 | 11 |
| | | | | | | | | £5 | 5 | 11 |

WESTCOTT.

Cr.—11

| 1910 | | | | | | | | £ | s | d |
|---------|--|--------------------|----|----|----|----|--|----|----|---|
| June 30 | | By Balance down .. | .. | .. | .. | .. | | 3 | 18 | 3 |
| | | | | | | | | £3 | 18 | 3 |

ACCOUNT.

Cr.—12

| 1910 | | | | | | | | £ | s | d |
|---------|--|---------------------------|----|----|----|----|------|-----|----|---|
| Mar. 31 | | By Sundry Clients .. | .. | .. | .. | .. | 1116 | 7 | 5 | 5 |
| June 30 | | „ Do. .. | .. | .. | .. | .. | .. | 4 | 14 | 8 |
| „ | | „ Adjustment Account * .. | .. | .. | .. | .. | LI | 12 | 4 | 4 |
| | | | | | | | | £24 | 4 | 5 |

Adjustment Account whenever the books are balanced.

DISBURSEMENTS LEDGER.
TRIAL BALANCE, 30th JUNE 1910.

| | | Dr. | Cr. |
|----|-------------------------------|------------------|------------------|
| | | £ s d | £ s d |
| 1 | Adjustment Account | .. | 18 3 0 |
| 4 | Stylish & Co. | .. | 15 12 10 |
| 5 | Jorkins, A. | .. | 18 18 0 |
| 6 | Terrier, W. | .. | 6 6 0 |
| 7 | Executors, Pryde (dec.) | 55 1 7 | |
| 11 | Westcott, B. | 3 18 3 | |
| | | <u>£58 19 10</u> | <u>£85 19 10</u> |

With small practices, where no Disbursements Ledger is kept, the petty cash payments will be posted direct to the Clients' and Private Ledgers. As a rule, the transactions will not then be sufficiently numerous to render the employment of Adjustment Accounts desirable: no difficulty will, however, be experienced in omitting these.

Passing on to the GENERAL BOOKS, these consist of—

Cash Book.

Bills Book (or Ledger).

Clients' Ledger.

Private Ledger.

As a rule, it is undesirable to employ a Journal, as its use would probably be restricted to what are termed "closing entries," which—being of a private nature—are best kept under lock and key. Simple transfers from one Ledger Account to another answer all reasonable requirements, if made in sufficient detail and accompanied by proper references.

The following *pro forma* books record the assumed transactions of Messrs. Sharp & Telling for the half-year under review:—

17—BILLS LEDGER from 1st January 1910 to 30th June 1910.

| Consecutive No. of Bill | Name of Client | Matter | Amount Due at 1st Jan '10 (commence-ment of period) | Amount of Bill rendered during quarter | Total Amount Due | Date | Cash Book | Amount Received | Charges Ledger Fo. | Allowances and Transfers | Amount due at 30th June 1910 (end of period) | Disbursements Ledger Fo. | Disbursements | Net Costs |
|-------------------------|------------------------|----------------|---|--|--------------------|----------|-----------|------------------|--------------------|--------------------------|--|--------------------------|-----------------|------------------|
| | | | £ s d | £ s d | £ s d | | | £ s d | | £ s d | £ s d | £ s d | £ s d | £ s d |
| 1909 | | | | | | | | | | | | | | |
| Oct. 22 | Harvey & Son | Bright.. | 10 0 0 | .. | 10 0 0 | 1910 | 41 | 10 0 0 | 12* | .. | .. | ✓ | 10 6 256 1 0 | 456 1 0 |
| Nov. 14 | Capron, H. | .. | 10 0 0 | .. | 10 0 0 | Jan. 24 | .. | 10 0 0 | .. | .. | .. | ✓ | 4 10 10 42 0 10 | 42 0 10 |
| Nov. 20 | Lumber Co., Lim. | .. | 159 16 8 | .. | 159 16 8 | Feb. 27 | .. | 159 16 8 | .. | .. | .. | ✓ | .. 17 19 2 | 37 12 8 |
| Dec. 20 | Jones, R. | Smith v. Jones | 29 0 4 | .. | 29 0 4 | Jan. 7 | 41 | 29 0 4 | .. | .. | .. | ✓ | .. 12 14 9 | 12 14 9 |
| Dec. 18 | Grant, H. | Grant v. Grant | 41 4 2 | .. | 41 4 2 | Jan. 21 | .. | .. | .. | .. | 41 4 | ✓ | .. 16 8 2 | 16 8 2 |
| 1910 | | | | | | | | | | | | | | |
| Jan. 6 | Shan's Trustees | .. | 256 1 0 | 256 1 0 | 256 1 0 | Jan. 6 | .. | .. | 1 256 1 9 | .. | .. | ✓ | 15 5 8 127 0 4 | 127 0 4 |
| Jan. 10 | Slater & Cramp | Re Dissolution | 5 15 6 | .. | 5 15 6 | Feb. 13 | 41 | 5 15 6 | .. | .. | .. | ✓ | .. 2 2 0 | 2 2 0 |
| Feb. 3 | Frankfort, H. | .. | 17 19 2 | 17 19 2 | 17 19 2 | Mar. 12 | .. | 17 0 0 | 10 47 9 8 | .. | .. | ✓ | .. 19 12 0 | 19 12 0 |
| Mar. 1 | Shove & Fisher | Re Brown | 37 12 8 | 37 12 8 | 37 12 8 | .. | .. | .. | 5 37 12 8 | .. | .. | ✓ | .. 112 0 10 | 112 0 10 |
| Mar. 7 | Shove & Fisher | Re License | 12 14 9 | 12 14 9 | 12 14 9 | .. | .. | .. | .. | .. | 12 14 9 | ✓ | .. 5 11 10 9 1 | 5 11 10 9 1 |
| April 18 | Turle & Hart | Re Partnership | 16 8 2 | 16 8 2 | 16 8 2 | .. | .. | .. | .. | .. | 16 8 2 | ✓ | .. 6 9 12 5 3 | 6 9 12 5 3 |
| April 30 | Shove & Fisher | .. | 14 2 0 | 14 2 0 | 14 2 0 | April 22 | .. | .. | 8 142 6 0 | .. | .. | ✓ | .. 105 0 0 | 105 0 0 |
| May 14 | Shove & Fisher | .. | 6 10 0 | 6 10 0 | 6 10 0 | May 6 | .. | .. | 4 6 10 0 | .. | .. | ✓ | .. 19 12 0 | 19 12 0 |
| June 4 | Twist & Twill | Re Baker | 19 12 0 | 19 12 0 | 19 12 0 | June 4 | 42 | 15 15 0 | 11 112 0 10 | .. | .. | ✓ | .. 10 10 10 | 10 10 10 |
| June 20 | King & Son | .. | 15 15 0 | 15 15 0 | 15 15 0 | June 4 | .. | .. | .. | .. | 12 12 0 | ✓ | .. 105 0 0 | 105 0 0 |
| June 13 | Walton, C. | .. | 12 12 0 | 12 12 0 | 12 12 0 | June 24 | .. | .. | .. | .. | .. | ✓ | .. 105 0 0 | 105 0 0 |
| June 24 | Frankfort, H. | .. | 105 0 0 | 105 0 0 | 105 0 0 | .. | .. | .. | .. | .. | .. | ✓ | .. 105 0 0 | 105 0 0 |
| | Mudford Boro' Council. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | ✓ | .. 105 0 0 | 105 0 0 |
| | | | <u>£254 12 0</u> | <u>£809 19 6</u> | <u>£1,064 11 6</u> | | | <u>£251 17 6</u> | <u>£708 0 11</u> | <u>£1,064 11 6</u> | <u>£104 13 1</u> | | <u>£26 8 8</u> | <u>£809 19 6</u> |
| | | | | | | | | | | | | | | |

* To admit of the Ledgers being separately balanced, all allowances must be posted to the debit of the Adjustment Account.

| CONTRA. | | | | | | | | | | | | | | | Cr. |
|-------------|-------------------------|-------------|------------|-----------------|----------------|------------------|-----------------------|--------------|-------------------|-------------|------------|-----------------|----------------|------------------|-----------------------|
| 41—CASH. | | | | | | | | | | | | | | | |
| Date | Particulars | Voucher No. | Ledger Fo. | Client's Ledger | Private Ledger | Own Bank Account | Client's Bank Account | Date | Particulars | Voucher No. | Ledger Fo. | Client's Ledger | Private Ledger | Own Bank Account | Client's Bank Account |
| 1910 Jan. 7 | To Balance | .. | 40 | £ s d | £ s d | £ s d | £ s d | 1910 Jan. 20 | By Disbursements | 914 | 14P | £ s d | £ s d | £ s d | £ s d |
| 24 | " Jones, R. | 1510 | 17h | 20 0 4 | 591 9 7 | 297 0 4 | 306 10 2 | 31 | " Do. | 5 | 3P | .. | 20 0 0 | 20 0 0 | .. |
| Feb. 1 | " Abstead, H. | 1520 | .. | 10 0 0 | .. | 16 5 6 | .. | 14 | " Do. R. T. | ✓ | 41 | 47 9 8 | .. | 50 0 0 | 47 9 8 |
| 3 | " Harper & Son | 2 | .. | 5 15 6 | .. | 14 0 0 | .. | 28 | " Slater & Cramp | ✓ | 14C | .. | .. | .. | .. |
| 27 | " Do. | 3 | 10C | 14 0 0 | .. | 11 0 0 | 75 0 0 | Mar. 7 | " Disbursements | 916 | 14P | 27 10 4 | .. | 20 0 0 | 27 10 4 |
| Mar. 6 | " Lumbar & Co. | 1521 | 17h | 159 16 8 | .. | 159 16 8 | .. | 29 | " Disbursements | 920 | 5P | .. | 25 0 0 | 25 0 0 | .. |
| 12 | " Byrne v. Tingle | 5 | 7C | 178 19 0 | .. | 178 19 0 | .. | 31 | " Repairs | ✓ | 3P | .. | 19 8 0 | 19 8 0 | .. |
| 20 | " Frankfort, H. | 6 | 17h | 17 0 0 | .. | 17 0 0 | .. | 31 | " Salaries | ✓ | 41 | 12 7 4 | .. | 50 0 0 | 12 7 4 |
| April 17 | " Executors | 7 | 6C | 100 0 0 | .. | 100 0 0 | 100 0 0 | 31 | " Drawings, J. S. | ✓ | 3P | .. | 50 0 0 | 50 0 0 | .. |
| 18 | " A. Pryde | ✓ | 41 | 37 12 8 | .. | 37 12 8 | .. | 31 | " Disbursements | 924 | 14P | .. | 20 0 0 | 20 0 0 | .. |
| May 8 | " Shove & Pusher | 1529 | 9C | 500 0 0 | .. | 500 0 0 | 500 0 0 | May 16 | " Do. + Pusher | ✓ | 41 | 37 12 8 | .. | .. | 37 12 8 |
| 10 | " Mudford Boro' Council | 1530 | 11C | 50 0 0 | .. | 50 0 0 | 50 0 0 | | " Disbursements | 924 | 14P | .. | 20 0 0 | 20 0 0 | .. |
| | " King & Son | 1530 | 11C | 50 0 0 | .. | 50 0 0 | 50 0 0 | | Forward .. | .. | 42 | 125 0 0 | 350 3 0 | 350 3 0 | 125 0 0 |
| | Forward .. | .. | 42 | 1,246 3 10 | 994 9 7 | 809 3 3 | 1,031 10 2 | | | | | | | | |

* If thought desirable a special column might be added for Allowances, but it is rarely done.
† As soon as a Bill is rendered money can be drawn out of the Client's banking account to pay it, if available.

| CONTRA. | | | | | | | | | | | | | | | | Cr. | |
|-------------|-------------|-------------|------------|-----------------|----------------|------------------|-----------------------|-------------|-----------------------------------|-------------|------------|-----------------|----------------|------------------|-----------------------|-----|--|
| 42—CASH. | | | | | | | | | | | | | | | | | |
| Date | Particulars | Voucher No. | Ledger Fo. | Client's Ledger | Private Ledger | Own Bank Account | Client's Bank Account | Date | Particulars | Voucher No. | Ledger Fo. | Client's Ledger | Private Ledger | Own Bank Account | Client's Bank Account | | |
| 1910 June 4 | Forward .. | .. | 41 | £ s d | £ s d | £ s d | £ s d | 1910 June 4 | By Mudford Boro' Council (cheque) | 925 | 9C | £ s d | £ s d | £ s d | £ s d | | |
| 26 | " " " " | 1531 | 17h | 1,246 3 10 | 594 9 7 | 809 3 3 | 1,031 10 2 | 10 | " Do. (Costs) .. | 925 | 9C | 484 5 0 | 350 3 0 | 350 3 0 | 484 5 0 | | |
| 30 | " " " " | ✓ | 9C | 105 0 0 | .. | 105 0 0 | .. | 30 | " Disbursements | ✓ | 14P | 13 15 0 | .. | .. | .. | | |
| " | " " " " | 1533 | 4C | 6 10 0 | 5 17 9 | .. | .. | 30 | " Drawings, S. .. | ✓ | 3P | .. | 20 0 0 | 20 0 0 | .. | | |
| " | " " " " | ✓ | 42 | 379 6 2 | .. | 391 13 11 | .. | " | " Salaries R. T. .. | 927 | 6P | .. | 100 0 0 | 200 0 0 | .. | | |
| " | " " " " | 12C | 1752 15 0 | 600 7 4 | 1,321 12 2 | 1,031 10 2 | .. | " | " King & Son .. | ✓ | 42 | 50 0 0 | .. | 50 0 0 | .. | | |
| " | " " " " | 15P | 1,752 15 0 | 1,752 15 0 | .. | .. | .. | " | " Sable & Walsh, Lim. ... | ✓ | 42 | 75 16 2 | .. | .. | .. | | |
| " | " " " " | .. | .. | .. | .. | .. | .. | " | " Executors .. | ✓ | 42 | 72 16 0 | .. | .. | .. | | |
| " | " " " " | .. | .. | .. | .. | .. | .. | " | " A. Pryde .. | ✓ | 42 | 180 14 0 | .. | .. | .. | | |
| " | " " " " | .. | .. | .. | .. | .. | .. | " | " Sloan's Trustees | ✓ | 42 | 1,004 6 2 | 620 3 0 | 620 3 0 | 1,004 6 2 | | |
| " | " " " " | .. | .. | .. | .. | .. | .. | " | " Clients' Ledger | ✓ | 42 | 1,004 6 2 | 728 13 2 | 701 9 2 | 27 4 0 | | |
| " | " " " " | .. | .. | .. | .. | .. | .. | " | " Balance down . | .. | 42 | .. | .. | .. | .. | | |
| 1910 July 1 | To Balance | .. | 42 | £ s d | £ s d | £ s d | £ s d | | | | | £ s d | £ s d | £ s d | £ s d | | |
| | | | | 2,353 2 4 | 1,321 12 2 | 1,031 10 2 | .. | | | | | 2,353 2 4 | 1,321 12 2 | 1,031 10 2 | .. | | |
| | | | | | | | | | | | | | | | | | |

* Note the double-entry in each Ledger.

CLIENTS' LEDGER.*

INDEX.

FOLIO

| | |
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| Salt, Robert.. .. . | 4 |
| Shove & Pusher | 5 |
| Slater & Cramp | 10 |
| Sloan's Trustees | 1 |
| Watson, Septimus (Bankrupt).. .. | 3 |

*If desired, this Ledger may be kept with double money columns, so as to distinguish quite clearly between the balances in the two banking accounts. In practice, however, this is rarely required: save in the case of very large concerns it is quite sufficient to see that the aggregate of the Clients' Credit Balances on balancing dates is equal to the balances shown by the Clients' Bank Account, as per Cash Book.

1—Dr.

SLOAN'S

| | | | | | | | | | |
|--------|------------|----|----|----|----|----|------|---|---|
| Jan. 6 | To Costs | .. | .. | .. | .. | 17 | £ | s | d |
| | | | | | | | 256 | 1 | 9 |
| | | | | | | | £256 | 1 | 9 |
| July 1 | To Balance | .. | .. | .. | .. | | 75 | 7 | 9 |

2—Dr.

SIR JAMES

[illegible]

3—Dr.

Re SEPTIMUS

| | | |
|----------------|--------------------|---------|
| 1910 Jan. 1 | To Balance | 98 14 6 |
| 1910 July 1 | To Balance | 98 14 6 |

4—Dr.

ROBERT

| | | | | | | | | | | |
|------|---|---------------|----|----|----|----|----|-----|---|---|
| 1910 | | | | | | | | £ | s | d |
| Jan. | I | To Balance .. | .. | .. | .. | .. | 21 | 17 | 2 | |
| Ma | | „ Costs .. | .. | .. | .. | .. | 6 | 10 | 0 | |
| | | | | | | | 17 | | | |
| | | | | | | | | £28 | 7 | 2 |

TRUSTEES.

Cr.—1

| 1910 | | | £ | s | d |
|------|----|------------------------|-------------|----------|----------|
| Jan. | 1 | By Balance | 180 | 14 | 0 |
| June | 30 | „ Balance down | 75 | 7 | 9 |
| | | | <u>£256</u> | <u>1</u> | <u>9</u> |

HILLDROP.

Cr.—2

[illegible]

WATSON (Bankrupt).

Cr.—3

| | | | | | | | | |
|---------|-------------------------|--|--|--|--|----------|----------|----------|
| 1910 | | | | | | <u>£</u> | <u>s</u> | <u>d</u> |
| June 30 | By Balance down | | | | | 98 | 14 | 6 |

SALT.

Cr.—4

| 1910 | | | | | | | | £ | s | d |
|-------|----|-------------|----|----|----|----|-----|-----|----|---|
| April | 17 | By Cash | .. | .. | .. | .. | 41 | 21 | 0 | 0 |
| " | " | " Allowance | .. | .. | .. | .. | L12 | 0 | 17 | 2 |
| June | 30 | " Cash | .. | .. | .. | .. | 42 | 6 | 10 | 0 |
| | | | | | | | | £28 | 7 | 2 |

5—Dr.

SHOVE

[illegible]

6—Dr.

EXECUTORS OF

| 1910 | | | £ | s | d |
|------|----|------------------------|------|----|---|
| Jan. | 1 | To Balance | 72 | 16 | 0 |
| June | 30 | „ Balance down | 27 | 4 | 0 |
| | | | £100 | 0 | 0 |

7—Dr.

BYRNE v.

[illegible]

8—Dr.

SABLE &

| | | | | | |
|------------------|--------------------|----|------|----|------|
| 1910 April 22 | To Costs | 17 | £ | s | d |
| | | | 142 | 6 | 0 |
| | | | £142 | 6 | 0 |
| 1910 July 1 | To Balance | | | 66 | 9 10 |

PUSHER.

Cr.—5

| | | | |
|------|--------------------|-------|--------|
| | <u>£</u> | s | d |
| Jan. | By Balance | 50 | o o |
| | | (£) | 50 o o |

A. PRYDE (*Dec.*)

Cr.—6

| | | | | | |
|-----------------|--------------------|----|-------|---|---|
| 1910 Mar. 20 | By Cash | 41 | £ | s | d |
| | | | 100 | 0 | 0 |
| | | | <hr/> | | |
| | | | £100 | 0 | 0 |
| | | | <hr/> | | |
| 1910 July 1 | By Balance | | | | |
| | | | 27 | 4 | 0 |

TINGLE & CO., LIM.

Cr.—7

| | | | | | | | |
|----------------|---------|----|----|----|----|----|-------------------|
| 1910 Mar. 6 | By Cash | .. | .. | .. | .. | 41 | £ s d 178 19 0 |
|----------------|---------|----|----|----|----|----|-------------------|

WALSH, LIM.

Cr.—8

[illegible]

| 9—Dr. | | MUDFORD | | | |
|--------|---------------------|---------|----|------|-----|
| 1910 | | | | £ | s d |
| June 4 | To Cash (C. Walton) | .. .. . | 42 | 500 | 0 0 |
| 24 | „ Costs | .. .. . | 17 | 105 | 0 0 |
| | | | | £605 | 0 0 |

| 10—Dr. | | SLATER & | | | |
|--------|----------|----------|----|-----|------|
| 1910 | | | | £ | s d |
| Feb. 3 | To Costs | .. .. . | 17 | 47 | 9 8 |
| 28 | „ Cash | .. .. . | 41 | 27 | 10 4 |
| | | | | £75 | 0 0 |

| 11—Dr. | | KING & | | | |
|--------|------------|---------|----|------|------|
| 1910 | | | | £ | s d |
| May 29 | To Costs | .. .. . | 17 | 112 | 0 10 |
| | | | | £112 | 0 10 |
| 1910 | | | | | |
| July 1 | To Balance | .. .. . |  | 62 | 0 10 |

| 12—Dr. | | ADJUSTMENT | | | |
|----------|--------------------------|------------|----|--------|------|
| 1910 | | | | £ | s d |
| Jan. 1 | To Balance | .. .. . |  | 306 | 10 2 |
| Feb. 1 | „ Allowance—Harper | .. .. . | 17 | 0 | 0 10 |
| Mar. 12 | „ Do. Frankfort | .. .. . | „ | 0 | 19 2 |
| April 17 | „ Do. R. Salt | .. .. . | 14 | 0 | 17 2 |
| June 30 | „ Cash | .. .. . | 42 | 1,752 | 15 0 |
| „ | „ Balance down (Debtors) | .. .. . |  | 417 | 16 0 |
| | | | | £2,478 | 18 4 |
| 1910 | | | | | |
| July 1 | To Balance | .. .. . |  | 27 | 4 0 |

| BOROUGH COUNCIL. | | Cr.—9 | | | |
|------------------|---------|---------|----|------|-----|
| 1910 | | | | £ | s d |
| May 8 | By Cash | .. .. . | 41 | 500 | 0 0 |
| June 26 | „ Do. | .. .. . | 42 | 105 | 0 0 |
| | | | | £605 | 0 0 |

| CRAMP. | | Cr.—10 | | | |
|--------|---------|---------|----|-----|-----|
| 1910 | | | | £ | s d |
| Feb. 1 | By Cash | .. .. . | 41 | 75 | 0 0 |
| | | | | £75 | 0 0 |

| SON. | | Cr.—11 | | | |
|---------|----------------|---------|----|------|------|
| 1910 | | | | £ | s d |
| May 10 | By Cash | .. .. . | 41 | 50 | 0 0 |
| June 30 | „ Balance down | .. .. . |  | 62 | 0 10 |
| | | | | £112 | 0 10 |

| ACCOUNT. | | Cr.—12 | | | |
|----------|----------------------------|---------|----|--------|------|
| 1910 | | | | £ | s d |
| Jan. 1 | By Balance | .. .. . |  | 637 | 8 8 |
| June 30 | „ Bills rendered | .. .. . | 17 | 809 | 19 6 |
| „ | „ Cash | .. .. . | 42 | 1,004 | 6 2 |
| „ | „ Balance down (Creditors) | .. .. . |  | 27 | 4 0 |
| | | | | £2,478 | 18 4 |
| 1910 | | | | | |
| July 1 | By Balance | .. .. . |  | 417 | 16 0 |

CLIENTS' LEDGER.

TRIAL BALANCE, 30th June 1910.

| | | | | Dr. | Cr. |
|----|----------------------|----|----|-----------|-----------|
| | | | | £ s d | £ s d |
| 1 | Sloan's Trustees | .. | .. | 75 7 9 | |
| 2 | Hilldrop, Sir Jas. | .. | .. | 10 10 0 | |
| 3 | Watson, Septimus, re | .. | .. | 98 14 6 | |
| 6 | Pryde, Executors, A. | .. | .. | .. | 27 4 0 |
| 8 | Sable & Walsh, Lim. | .. | .. | 66 9 10 | |
| 11 | King & Son | .. | .. | 62 0 10 | |
| 17 | Bills Ledger | .. | .. | 104 13 1 | |
| | | | | 417 16 0 | 27 4 0 |
| 12 | Adjustment Account | .. | .. | .. | 390 12 0 |
| | | | | £417 16 0 | £417 16 0 |

The *pro forma* Private Ledger will now be shown. The reader should note the connection between the Adjustment Accounts in this Ledger and the corresponding Adjustment Accounts in the Clients' and Disbursements Ledgers. Of course, these accounts can be omitted altogether, but they are very convenient, as assisting to keep the books accurately balanced. They are no trouble to keep, when once the main idea of double-entry in each separate Ledger *inter se* has been thoroughly grasped.

PRIVATE LEDGER.

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| 1—Dr. | | JAMES SHARP, | | | |
|---------|-------------------------|--------------|--|---------------|------------|
| 1910 | | | | £ | s d |
| June 30 | To Balance down | | | 1,250 | 0 0 |
| | | | | <u>£1,250</u> | <u>0 0</u> |

| 2—Dr. | | RICHARD TELLING, | | | |
|---------|-------------------------|------------------|--|---------------|------------|
| 1910 | | | | £ | s d |
| June 30 | To Balance down | | | 1,000 | 0 0 |
| | | | | <u>£1,000</u> | <u>0 0</u> |

| 3—Dr. | | JAMES SHARP, | | | |
|---------|--------------------|--------------|--|-------------|------------|
| 1910 | | | | £ | s d |
| Jan. 31 | To Cash | 41 | | 25 | 0 0 |
| Mar. 29 | " Do. | " | | 50 | 0 0 |
| June 30 | " Do. | 42 | | 100 | 0 0 |
| | | | | <u>£175</u> | <u>0 0</u> |
| July 1 | To Balance | | | 1 | 13 4 |

| 4—Dr. | | RICHARD TELLING, | | | |
|---------|--------------------|------------------|--|-------------|------------|
| 1910 | | | | £ | s d |
| Jan. 31 | To Cash | 41 | | 25 | 0 0 |
| Mar. 29 | " Do. | " | | 50 | 0 0 |
| June 30 | " Do. | 42 | | 100 | 0 0 |
| | | | | <u>£175</u> | <u>0 0</u> |
| July 1 | To Balance | | | 7 | 18 5 |

CAPITAL ACCOUNT.

Cr.—1

| 1910 | | | | | £ | s d |
|--------|--------------------|--|--|--|---------------|------------|
| Jan. 1 | By Balance | | | | 1,250 | 0 0 |
| | | | | | <u>£1,250</u> | <u>0 0</u> |
| July 1 | By Balance | | | | 1,250 | 0 0 |

CAPITAL ACCOUNT.

Cr.—2

| 1910 | | | | | £ | s d |
|--------|--------------------|-----|--|--|---------------|------------|
| Jan. 1 | By Balance | L17 | | | 1,000 | 0 0 |
| | | | | | <u>£1,000</u> | <u>0 0</u> |
| July 1 | By Balance | | | | 1,000 | 0 0 |

CURRENT ACCOUNT.

Cr.—3

| 1910 | | | | | £ | s d |
|---------|-----------------------------------|-----|--|--|-------------|------------|
| June 30 | By Interest on Capital | L10 | | | 31 | 5 0 |
| " | " Profit and Loss Account | " | | | 142 | 1 8 |
| " | " Balance down | L17 | | | 1 | 13 4 |
| | | | | | <u>£175</u> | <u>0 0</u> |

CURRENT ACCOUNT.

Cr.—4

| 1910 | | | | | £ | s d |
|---------|-----------------------------------|-----|--|--|-------------|------------|
| June 30 | By Interest on Capital | L10 | | | 25 | 0 0 |
| " | " Profit and Loss Account | " | | | 142 | 1 7 |
| " | " Balance down | " | | | 7 | 18 5 |
| | | | | | <u>£175</u> | <u>0 0</u> |

| 5—Dr. | | RENT, RATES. | |
|---------|--|--------------|------------------|
| 1910 | | | £ s d |
| Mar. 7 | To Cash (Rates) | 41 | 19 8 0 |
| June 30 | „ Lease Account, amount written off*.. | L11 | 85 0 0 |
| „ | „ Balance down (Ground Rent).. | | 22 10 0 |
| | | | <u>£126 18 0</u> |

* The amount written off a Lease is frequently debited to Depreciation Rent paid in advance, the Instalments written off from time to time should

| 6—Dr. | | SALARIES | |
|---------|--------------------------|----------|-----------------|
| 1910 | | | £ s d |
| Mar. 29 | To Cash | 41 | 50 0 0 |
| June 30 | „ Do. | 42 | 50 0 0 |
| „ | „ Disbursements Ledger.. | L14 | 75 0 0 |
| | | | <u>£175 0 0</u> |

| 7—Dr. | | STATIONERY | |
|---------|----------------------------|------------|----------------|
| 1910 | | | £ s d |
| Jan. 1 | To Balance (Stock) | L14 | 12 0 0 |
| June 30 | „ Disbursements Ledger.. | | 12 4 4 |
| | | | <u>£24 4 4</u> |
| 1910 | | | |
| July 1 | To Balance (Stock).. | | 15 0 0 |

| 8—Dr. | | GENERAL | |
|---------|---------------------------|---------|----------------|
| 1910 | | | £ s d |
| Mar. 7 | To Cash (Repairs) | 41 | 10 0 0 |
| June 30 | „ Disbursements Ledger.. | L14 | 15 6 5 |
| | | | <u>£25 6 5</u> |

| TAXES, AND INSURANCE. | | Cr.—5 | |
|-----------------------|---------------------------------|-------|------------------|
| 1910 | | | £ s d |
| Jan. 1 | By Balance (Rates) | | 9 14 0 |
| June 30 | „ Profit and Loss Account | L17 | 117 4 0 |
| | | | <u>£126 18 0</u> |
| 1910 | | | |
| July 1 | By Balance | | 22 10 0 |

Account, but it is suggested that as the amount originally paid is really be treated as Rent.

| ACCOUNT. | | Cr.—6 | |
|----------|---------------------------------|-------|-----------------|
| 1910 | | | £ s d |
| Jan. 1 | By Balance | | 4 2 0 |
| June 30 | „ Profit and Loss Account | L17 | 170 18 0 |
| | | | <u>£175 0 0</u> |

| ACCOUNT. | | Cr.—7 | |
|----------|----------------------------------|-------|----------------|
| 1910 | | | £ s d |
| June 30 | By Profit and Loss Account | L17 | 9 4 4 |
| „ | „ Balance down (Stock) | | 15 0 0 |
| | | | <u>£24 4 4</u> |

| EXPENSES. | | Cr.—8 | |
|-----------|---------------------------------|-------|----------------|
| 1910 | | | £ s d |
| Jan. 1 | By Balance (Repairs) | | 5 2 0 |
| June 30 | „ Profit and Loss Account | L17 | 20 4 5 |
| | | | <u>£25 6 5</u> |

| 9—Dr. | | DEPRECIATION | |
|---------|---|--------------|---------|
| 1910 | | | £ s d |
| June 30 | To Office Furniture Account, amount written off | L12 | 23 14 8 |

| 10—Dr. | | INTEREST | |
|---------|------------------------------------|----------|----------------|
| 1910 | | | £ s d |
| June 30 | To J. Sharp, Current Account | L3 | 31 5 0 |
| " | " R. Telling, Do. | L4 | 25 0 0 |
| | | | <u>£56 5 0</u> |

| 11—Dr. | | LEASEHOLD | |
|--------|--------------------|-----------|------------------|
| 1910 | | | £ s d |
| Jan. 1 | To Balance | | 846 12 0 |
| | | | <u>£846 12 0</u> |
| 1910 | | | |
| July 1 | To Balance | | 761 12 0 |

| 12—Dr. | | OFFICE FURNITURE | |
|--------|--------------------|------------------|------------------|
| 1910 | | | £ s d |
| Jan. 1 | To Balance | | 472 12 9 |
| | | | <u>£472 12 9</u> |
| 1910 | | | |
| July 1 | To Balance | | 448 18 1 |

| 13—Dr. | | COSTS | |
|---------|---|-------|-------------------|
| 1910 | | | £ s d |
| June 30 | To Allowances, per Clients' Ledger Account | L15 | 1 17 2 |
| " | " Reserve Account, Provision for Bad and Doubtful Debts†† | L16 | 100 0 0 |
| " | " Profit and Loss Account | L17 | 681 13 8 |
| | | | <u>£783 10 10</u> |

| ACCOUNT. | | Cr.—9 | |
|----------|----------------------------------|-------|---------|
| 1910 | | | £ s d |
| June 30 | By Profit and Loss Account | L17 | 23 14 8 |

| ON CAPITAL. | | Cr.—10 | |
|-------------|----------------------------------|--------|----------------|
| 1910 | | | £ s d |
| June 30 | By Profit and Loss Account | L17 | 56 5 0 |
| | | | <u>£56 5 0</u> |

| PREMISES. | | Cr.—11 | |
|-----------|---|--------|------------------|
| 1910 | | | £ s d |
| June 30 | By Amount written off, transferred to Rent Account.. .. . | L5 | 85 0 0 |
| " | " Balance down | | 761 12 0 |
| | | | <u>£846 12 0</u> |

| AND FITTINGS. | | Cr.—12 | |
|---------------|-------------------------|--------|------------------|
| 1910 | | | £ s d |
| June 30 | By Depreciation | L9 | 23 14 8 |
| " | " Balance down | | 448 18 1 |
| | | | <u>£472 12 9</u> |

| ACCOUNT. | | Cr.—13 | |
|----------|----------------------------|--------|-------------------|
| 1910. | | | £ s d |
| June 30 | By Bills Delivered | 17 | 783 10 10 |
| | | | <u>£783 10 10</u> |

14—Dr.

DISBURSEMENTS

| 1910 | | | | £ | s | d |
|---------|------------------------------|----|----|------|----|----|
| Jan. 1 | To Balance (Debtors) * | .. | .. | 18 | 11 | 2 |
| " 20 | " Cash | .. | .. | 20 | 0 | 0 |
| Feb. 14 | " do. | .. | .. | 20 | 0 | 0 |
| April 1 | " do. | .. | .. | 25 | 0 | 0 |
| " " | " do. | .. | .. | 15 | 15 | 0 |
| May 16 | " do. | .. | .. | 20 | 0 | 0 |
| June 10 | " do. | .. | .. | 20 | 0 | 0 |
| 30 | " Balance down (Creditors) † | .. | .. | 40 | 16 | 10 |
| | | | | £200 | 3 | 0 |
| 1910 | | | | | | |
| July 1 | To Balance (Debtors) † | .. | .. | 58 | 19 | 10 |

* These figures agree with the Balance Sheet of 31st December

† These figures agree with the Disbursements Ledger Trial Balance 1910.

‡ These are arrived at from the Adjustment Account in the various nominal accounts affected, to complete the double-entry in

** Compare with Adjustment Account in Disbursements Ledger

†† Sometimes this debit is taken direct to Profit and Loss

15—Dr.

CLIENTS'

| 1910 | | | | £ | s | d |
|---------|------------------------------|----|----|--------|----|---|
| Jan. 1 | To Balance (Debtors)** | .. | .. | 637 | 8 | 8 |
| June 30 | " Cash | .. | .. | 1,004 | 6 | 2 |
| " " | " Bills delivered | .. | .. | 809 | 19 | 6 |
| " " | " Balance down (Creditors) † | .. | .. | 27 | 4 | 0 |
| | | | | £2,478 | 18 | 4 |
| 1910 | | | | | | |
| July 1 | To Balance (Debtors) † | .. | .. | 417 | 16 | 0 |

* Compare with Adjustment Account in Clients' Ledger (vide pages

† These figures agree with the Clients' Ledger Trial Balance (page 56),

‡ This is arrived at from the Adjustment Account in the Clients' double-entry of the Private Ledger.

** These figures agree with the Balance Sheet of 31st December 1909

16—Dr.

RESERVE

| | | | | £ | s | d |
|--|--|--|--|---|---|---|
| | | | | | | |

LEDGER.**

Cr.—14

| 1910 | | | | £ | s | d |
|---------|----------------------------------|----|----|----|------|----|
| Jan. 1 | By Balance (Creditors) | .. | .. | 6 | 6 | 0 |
| June 30 | " Cash | .. | .. | 42 | 5 | 17 |
| " " | " Bills Delivered | .. | .. | 17 | 26 | 8 |
| " " | " Transfer to Salaries Account † | .. | .. | 16 | 75 | 0 |
| " " | " do. Stationery Accounts † | .. | .. | 17 | 12 | 4 |
| " " | " do. General Expenses Account † | .. | .. | 18 | 15 | 6 |
| " " | " Balance down (Debtors) † | .. | .. | | 58 | 19 |
| | | | | | £200 | 3 |
| 1910 | | | | | | |
| July 1 | By Balance (Creditors) † | .. | .. | | 40 | 16 |

1909 (vide page 33).

Balance (page 44), and are incorporated in the Balance Sheet of 30th

Disbursements Ledger. Corresponding debits are made to the the Private Ledger.

(vide pages 38 and 39).

Account, but the above treatment is preferable.

LEDGER.*

Cr.—15

| 1910 | | | | £ | s | d |
|---------|----------------------------|----|----|-----|--------|----|
| Jan. 1 | By Balance (Creditors)** | .. | .. | 306 | 10 | 2 |
| June 30 | " Cash | .. | .. | 42 | 1,752 | 15 |
| " " | " Allowances † | .. | .. | 113 | 1 | 17 |
| " " | " Balance down (Debtors) † | .. | .. | | 417 | 16 |
| | | | | | £2,478 | 18 |
| 1910 | | | | | | |
| July 1 | By Balance (Creditors) † | .. | .. | | 27 | 4 |

54 and 55)

and are incorporated in the Balance Sheet of 30th June 1910.

Ledger: a corresponding debit is made to Costs Account to complete the

(vide page 33).

ACCOUNT.

Cr.—16

| 1910 | | | | £ | s | d |
|---------|-----------------------------------|----|----|-----|-----|---|
| June 30 | By Costs Account, amount reserved | .. | .. | 113 | 100 | 0 |

Before adjusting outstandings, the Trial Balance of the Private Ledger is as follows:—

PRIVATE LEDGER.

TRIAL BALANCE, 30th June 1910.

| | | Dr. | Cr. |
|-----|-----------------------------|--------------|--------------|
| | | £ | s d |
| 1 | Sharp, J., Capital | .. | 1,250 0 0 |
| 2 | Telling, R., Capital | .. | 1,000 0 0 |
| 3 | Sharp, J., Drawings | 175 0 0 | |
| 4 | Telling, R., Drawings | 175 0 0 | |
| 5 | Rent, &c. | 9 14 0 | |
| 6 | Salaries | 170 18 0 | |
| 7 | Stationery | 24 4 4 | |
| 8 | General Expenses | 20 4 5 | |
| 11 | Leasehold Premises | 846 12 0 | |
| 12 | Office Furniture, &c. | 472 12 9 | |
| 13 | Costs | .. | 781 13 8 |
| 14 | Disbursements Ledger | 58 19 10 | 40 16 10 |
| 15 | Clients' Ledger | 417 16 0 | 27 4 0 |
| c42 | Cash, Own Account | 701 9 2 | |
| " | " Clients' Account | 27 4 0 | |
| | | £ 3,099 14 6 | £ 3,099 14 6 |

It is necessary to provide for the following outstanding matters:—

Interest on Partners' Capital @ 5 per cent. per annum.

A Half-year's Ground Rent accruing due @ £45 per annum.

Stock of Stationery, valued at £15.

Write £85 off Leasehold Premises.

Depreciate Office Furniture, &c., @ 10 per cent. per annum.

Reserve £100 for Doubtful Debts.

In the preceding Ledger Accounts these adjustments have been made, and the Profit and Loss Account and Balance Sheet are found to be as follow:—

CHAPTER VI.

BALANCE SHEETS, &c.

THERE remain to be considered a few general questions in connection with the basis upon which it is desirable that the accounts should be prepared.

Foremost among these comes the question as to whether, when preparing a Balance Sheet at any particular date, anything should be included as an asset in respect of work done for which no Bills have yet been delivered, or in respect of work done for which Bills have been delivered but no payment received. As a matter of finance there can be no question that the proper time to take credit for work done is the time when such work was actually performed, so long as due provision is made for Allowances and Bad and Doubtful Debts; that is to say, it is financially sound to credit to Profit and Loss Account not merely the total of all the Bills delivered, but also a sum estimated to represent the total of the recoverable items in the Draft Bills of Costs undelivered, provided a sufficient sum is debited *per contra* to cover all allowances that are likely to be made to Clients, and all loss that is likely to be incurred through Bad Debts. But although this course may be permissible, it does not necessarily follow that it would be prudent. The primary object of preparing periodical accounts at all is to ascertain what profits have been earned, and this chiefly with a view to enabling these profits to be divided among the partners. It is obvious that unrealised profits cannot be divided, and from this point of view a Profit and Loss Account that ignores all Costs earned until actually received would seem to be more useful. As a matter of fact,

many Solicitors do keep their accounts upon this cash basis, treating nothing as profit until it has actually been received. There are, however, two important objections to the pure cash basis. The first is that in many cases cash will be received before it has been earned, in which case it is clearly not profit divisible; and, in the second place, the ignoring of outstanding accounts for the purpose of arriving at profits is in practice very apt to lead to their being ignored for the purpose of supervising their collection. Both of these objections are of a weighty character, and upon the whole it is considered that the best course to pursue under all the circumstances is as follows:—

- (a) To ignore all Bills not delivered.
- (b) To debit Clients and credit Profit and Loss Account with all Bills delivered.
- (c) To maintain, from time to time, as a reserve in respect of Costs uncollected such a sum as will represent all Costs delivered and outstanding, that there is any reasonable likelihood will not be recovered within, say, the next three months.

If this plan be adopted, it in no way interferes with the collection of outstanding accounts, nor is there any danger of profits being divided so closely up to the hilt as to cause embarrassment, if some of the accounts remain outstanding longer than had been anticipated. It need hardly be added, however, that although this method of computing net profits is recommended for prudential reasons, it cannot be upheld on grounds of absolute accuracy. Consequently, whenever a really accurate taking of the accounts is necessary (as, for example, on the death or retirement of a partner, on the coming in of a fresh partner, or upon the respective interests of the partners in the profits being varied), an accurate apportionment of profits up to date must be made, bringing

into account not merely all those Bills of Costs that have been delivered, but also the value of those that are undelivered, due provision *per contra* being made for whatever loss may be anticipated by way of Bad Debts.

This strict apportionment under exceptional circumstances is necessary, not merely with a view to arriving at the actual share of each partner in the profits earned up to any particular date, but also in order to enable the Goodwill at any particular date to be accurately valued. The value of the Goodwill of a Solicitor's practice naturally varies according to the nature of the connection, and especially as to whether or not it is of a personal character; but under normal circumstances it may be taken as being equal to the net profits of the three preceding years, after charging Interest on Capital employed at 5 per cent. per annum; and for the purpose of arriving at the profits of the three preceding years it is necessary to make an accurate apportionment of matters in progress at the commencement and at the end of that period, as the amount received from Clients in payment of Bills of Costs may be an entirely different thing from the amount of Fees actually earned during the period.

A source of income which has so far been left unmentioned is the receipt of Premiums upon Articles of Clerkship. With some firms these premiums are regarded as personal matters, and as belonging to the Principal to whom the clerk has been articulated. In such cases no entry whatever becomes necessary in the books of the firm. More generally, however, Premiums so received are treated as part of the earnings of the firm, the general custom being to credit them to Profit and Loss Account during the period in which they have been received. This practice, however, is incorrect, as income should be credited, not when received but when

earned, and it cannot be said that the whole Premium has been earned as soon as the Articles have been signed. The better plan is to assume that during the first half of the Articles special attention has to be given to the pupil, and that the Premium has been paid in respect of this special attention: during the second half of the Articles, the pupil should be more useful in the office, so the latter period will thus indirectly also benefit by the Articles. It is recommended, therefore, that Premiums received be posted to the credit of a Premiums Account in the Private Ledger, and one-fifth of the amount so received credited half-yearly to Profit and Loss Account.

Many Solicitors are Commissioners of Oaths, and in that capacity receive a considerable number of small fees for affidavits and declarations. Some also are Notaries, and these will receive further sums from that source. Here, again, it is a common custom for each partner to regard such fees as his own personal earnings which need not be accounted for to the firm, and in that case no entries need occur in the books. If, however, Commissioners' Fees, &c., are regarded as income of the firm, it is very undesirable that they should be handed over to the Petty Cashier, as there is no means of verifying his receipts if he is allowed to receive money by any other means than by a cheque drawn upon the firm's bankers. A better plan is for such fees to be deposited in a locked box, and for the contents of this box to be taken out (say) monthly, counted, and handed over to the Cashier, and by him paid into the firm's banking account. The only entry necessary in the books is one of the monthly total of fees received upon the debit side of the Cash Book, which may be posted to the credit of an account headed "Commissioners' Fees, &c.," in the Private Ledger, and thence transferred half-yearly to the credit of Profit and Loss Account.

It will be observed that throughout this handbook it has been assumed that a Solicitor's books are balanced half-yearly. As a matter of fact most firms do not prepare a Balance Sheet more than once a year; but inasmuch as the additional work involved in balancing is very small—far less than in the case of a trader or manufacturer, who has to take stock—it is recommended that the books be always balanced once every six months, so that the partners may have the benefit of having a reliable statement of their position placed before them at these shorter intervals of time.

As to the audit of Solicitors' Accounts, attention has already been drawn to the recommendation of the Special Committee of the Incorporated Law Society that in all Trusts of any magnitude or complexity it is very desirable that the accounts should be audited periodically. The system of accounts described in the course of this handbook will readily enable this to be done in the case of each separate Trust without any disclosure being made of details relating to other matters; but although it is thus possible for the accounts of each Trust Estate to be audited separately, if need be by a different Auditor, it must not be supposed that this obviates the desirability—and, indeed, necessity—of the Solicitor's own accounts being submitted to a similar examination. Solicitors are generally far too busy to pay much personal attention to the details connected with their accounts, while as a rule their knowledge of such matters would be insufficient to protect them against the devices of a fraudulent cashier. There is thus at least as much advantage to be expected from the audit of a Solicitor's accounts as from the audit of the accounts of any other business man; while the magnitude of the sums involved, and the necessity of these being left to no small extent in the hands of subordinates, further emphasises the need for caution. Again, in the case of all but the largest firms, it may be pointed

out that Solicitors' bookkeepers are usually selected for their knowledge of the routine in a Solicitor's office and their ability to prepare Bills of Costs, rather than for any special ability in the keeping and framing of accounts generally. It follows therefore that in many cases, if reliable Balance Sheets and Profit and Loss Accounts are to be prepared periodically, with a view to adjusting the position of partners *inter se*, such accounts must of necessity be compiled by professional Accountants called in for that purpose.

It is not thought necessary in a handbook of this description to describe in detail the exact nature and extent of the audit under all conceivable sets of circumstances. It may be pointed out, however, in general terms that no audit can be regarded as altogether satisfactory which does not at all events include an examination of the Draft Bills of Costs and a careful and detailed verification of the Cash Book and Petty Cash Book, not merely as regards payments, but also as regards receipts. If the system advocated in these pages be followed, however, an effective audit need never be so extensive a matter as to involve any serious expense; while in the long run there can be no question that any reasonable expense that may be involved will be found really to have been money saved.

Finally, it is recommended that, except in the case of those Trust matters where the Trustees or beneficiaries employ their own Auditors, the firm's Auditors should be required periodically to certify to all Clients leaving money or securities in the Solicitor's hands that matters are in order. There can be no question that, even where no such certificate has been asked for, its production will be greatly appreciated; while from many points of view it is desirable that such a certificate should be given voluntarily, rather than in reply to an express request.

APPENDIX.

COUNTY COURT WORK.

THE system of accounts described in the body of this hand-book will be found to answer all the usual requirements of a Solicitor's office. Occasionally, however, a Solicitor will hold an appointment under which he has a considerable amount of debt collecting to do on behalf of a Society or other important Client, such debts being to a large extent recovered through the County Court by weekly or monthly instalments. It is recommended that the whole of these transactions should be kept apart from the general books, as though they related to a separate Trust matter, and the following books are suggested:—

Cash Book (with special banking account).

Petty Cash Book.

County Court Ledger.

General Ledger.

As a rule, the Client will have deposited with the Solicitor a sufficient sum to cover out-of-pockets; but, if not, the Solicitor should arrange for this special banking account to be overdrawn occasionally, or else put it in funds by paying in, say, £50 from his own banking account, and charge it up in his own books to the debit of the Client as an advance.

The form of County Court Ledger recommended is given over-page. It will be seen that it provides two accounts on each folio, one to record the transactions between the Solicitor and the debtor, and the other to record the transactions between the Solicitor and his Client in respect of that particular debt. The *pro forma* transactions entered below will, it is thought, sufficiently explain the working of the system advocated. When the items are exceedingly numerous a Card Ledger has sometimes to be used (*vide* "The Law Times," 21st September 1907), but this is not recommended, as Card Ledgers involve the employment of thoroughly trained bookkeepers if they are to work smoothly.

145—COUNTY COURT LEDGER.
ROBERT JONES (Defendant).

| Dr. | Date | Particulars | Fo. | Debit and Disbursements | Costs | Date | Particulars | Fo. | Amount |
|-----|--------------|-------------------------|------|-------------------------|------------------|--------------|-----------------|------|------------------|
| | 1909 Oct. 14 | Debit Fee .. | L 1 | £ s d 14 0 0 | £ s d 18 14 2 | 1909 Nov. 20 | Out of Court .. | c 71 | £ s d 18 14 2 |
| | 20 | Costs of Summons .. | P 12 | 0 16 0 | | | | | |
| | Nov. 1 | Hearing Fee .. | " | 1 8 0 | 0 14 2 | | | | |
| | " | Costs of Hearing .. | " | " | 0 15 0 | | | | |
| | " | Judgment Fee .. | " | " | | | | | |
| | " | Costs of Judgment .. | " | 1 1 0 | | | | | |
| | 10 | Execution Fee .. | " | " | | | | | |
| | | Judgment Summons Fee .. | " | " | | | | | |
| | | | | £17 5 0 | £1 9 2 | | | | £18 14 2 |

RETAIL STORES, LIMITED (Plaintiffs).

| Dr. | Date | Particulars | Fo. | Amount | Date | Particulars | Fo. | Amount |
|-----|--------------|----------------------------|------|-----------------|--------------|--------------|-----|-----------------|
| | 1909 Nov. 20 | Cheque (and Commission) .. | c 71 | £ s d 17 5 0 | 1909 Nov. 20 | Recovered .. | L 1 | £ s d 17 5 0 |
| | | | | £17 5 0 | | | | £17 5 0 |

The corresponding entries in the other books relating to the County Court business are as follow:—

| Dr. | 71—CASH. | CONTRA. | Cr. |
|--------------|--------------------|---------------------------|------------------|
| 1909 Nov. 20 | To R. Jones .. 145 | By Retail Stores Lim. 145 | £ s d 15 10 6 |
| | | " Costs Account † .. | 3 3 8 |
| | | 2* | £1 14 6 |
| | | | £18 14 2 |

| Dr. | | 12—PETTY CASH BOOK. | | Cr. | |
|---------|-----------------------------|---------------------|------|------------------------|---------|
| 1909 | To Cash—Retail Stores, Lim. | I | 1909 | By R. Jones, Plaintiff | 145 |
| Oct. 1 | | £ s d | | " " Hearing | 0 14 2 |
| | | £ s d | | " " Execution | 0 15 0 |
| | | £ s d | | " " Balance down | 1 1 0 |
| | | £ s d | | " " Balance down | 6 15 0 |
| | | £ s d | | " " Balance down | 2* |
| | | £ s d | | " " Balance down | £1 9 2 |
| | | £ s d | | " " Balance down | £10 0 0 |
| | | £ s d | | " " Balance down | £10 0 0 |
| 1909 | To Balance | £ s d | | | £10 0 0 |
| Dec. 1. | | £ s d | | | £10 0 0 |

* These monthly totals of Costs are posted to the credit of Costs Account: the treatment is similar to that of the Discount column so often found in Cash Books.

† At the end of each month a cheque should be drawn for Costs and paid into the Solicitor's own bank.

The only Ledger Accounts required are a personal account for each Client and a Costs Account, viz. :—

| RETAIL STORES, LIMITED. | | | | | Cr.—1 | |
|-------------------------|---|-----|---------|----------------|---|----------------|
| 1—Dr. | | | | | | |
| 1909 Nov. 20 | To R. Jones — Debt re- covered | 145 | £ s d | 1909 Oct. 1 | By Cash, for petty disburse- ments | 12 10 0 0 |
| 30 | .. Balance down .. | 145 | 6 15 0 | 14 | .. R. Jones—Debt .. | *145 14 0 0 |
| | | | £24 0 0 | | | £24 0 0 |
| | | | | 1909 Dec. 1 | By Balance | 6 15 0 |

| COSTS ACCOUNT. | | | | | Cr.—2 | |
|-----------------|----------------|----|--------|-----------------|--------------------------|--------------|
| 2—Dr. | | | | | | |
| 1909 Nov. 30 | To Cash† | 71 | £ s d | 1909 Nov. 30 | By Sundries, per C.B. .. | 71 1 14 6 |
| | | | 3 3 8 | | Do. per P.C.B. .. | 1 9 2 |
| | | | £3 3 8 | | | £3 3 8 |

* The entries are made from the County Court Ledger (*q.v.*). When everything is adjusted the Credit Balance of this account equals the Debit Balance on Petty Cash Account.

† See note on page 79.

CASH JOURNALS.

THIS handbook would not be complete without some reference to the "Cash Journal" system, which is very general among the profession. The main principle underlying this system is that only one book of first entry is employed for all transactions—namely, the Cash Journal—but by the addition of various columns these transactions are analysed so as, to a large extent, to do away with the necessity of detailed postings into the Ledger. The usual form of Cash Journal is given on the following page. It will be seen that it provides debit and credit columns for Cash, for Bank, and for Nominal Accounts, as well as a further column upon each side for the record of items which must be posted in detail to the Ledgers.

Although this system is largely used, it is suggested that, except in the case of quite small practices, its employment is attended by serious disadvantages. In the first place, unless all the transactions pass through one person, it becomes practically impossible to record them in the Cash Journal in chronological order, and unless they are so recorded one of the chief advantages of the system is at once lost. Moreover, the accuracy of the system depends entirely upon the various entries being recorded in the proper columns. There is thus a risk of inconvenient mistakes arising, and also a serious risk of fraud on the part of the cashier. For example, if Cash received is entered on the debit side of the Office Expenses column, instead of in the Cash column, it may be abstracted by the Cashier, and the books still balance. Such a mistake is not likely to be discovered, unless a very detailed examination of the Cash Journal is made; while, even if discovered, it can hardly be regarded as evidence of intent to defraud,

CASH JOURNAL.

| Date | Particulars | Debits | | | | Credits | | | | Folio |
|----------------|--|--------------------|---------|------------|----------|----------|------------|---------|--------------------|-------|
| | | Ledger Accounts | Office | Cash | Bank | Bank | Cash | Office | Ledger Accounts | |
| | | £ s d | £ s d | £ s d | £ s d | £ s d | £ s d | £ s d | £ s d | |
| 1910 Jan. 1 | Received from C. D. | .. | .. | .. | .. | .. | .. | .. | 300 0 0 | |
| " | Paid for C. D., Amount of Deposit | 250 0 0 | .. | .. | .. | .. | 250 0 0 | .. | 300 0 0 | |
| " | Received from A. B. for advance to C. D. | .. | .. | .. | .. | .. | .. | .. | 500 0 0 | |
| " | Paid for C. D. | 478 10 0 | .. | .. | .. | .. | 478 10 0 | .. | 500 0 0 | |
| " 3 | Received Debt due E. F., £30, and | .. | .. | .. | .. | .. | .. | .. | 30 0 0 | |
| " | Costs £2 10s. | .. | .. | 32 10 0 | .. | .. | .. | .. | .. | |
| " | Paid to Bank | .. | .. | .. | 90 0 0 | .. | .. | .. | .. | |
| " | Bill of Costs to K. | 17 16 8 | .. | .. | .. | .. | .. | 17 6 8 | .. | |
| " | Costs against C. D. | 13 10 0 | .. | .. | .. | 18 10 0 | .. | 53 0 0 | .. | |
| " | Paid Balance to C. D. | .. | .. | .. | .. | .. | .. | .. | .. | |
| " 4 | Received from Executors of G. H. | 600 0 0 | .. | .. | .. | .. | 600 0 0 | .. | 600 0 0 | |
| " | Placed on Deposit for Executors of G. H. | .. | .. | .. | .. | .. | .. | .. | .. | |
| " | Received on account of Costs | .. | 10 0 0 | .. | .. | .. | .. | .. | .. | |
| " | Private Payments | .. | .. | 80 0 0 | .. | .. | .. | .. | .. | |
| " 5 | Drew for Private Payments | .. | .. | .. | .. | .. | .. | .. | .. | |
| " | Agents advise receipt of £25 from K. C. | 40 0 0 | .. | .. | .. | .. | .. | .. | .. | |
| " | Received on account of Agents' Costs | 25 0 0 | .. | .. | .. | .. | .. | .. | 25 0 0 | |
| " | Remitted Cheque to Agent | 100 0 0 | .. | .. | .. | .. | .. | .. | 105 0 0 | |
| " | Costs delivered to Executors of G. H. | 9 0 0 | .. | .. | .. | 100 0 0 | .. | .. | .. | |
| " | Balance down | 1,591 16 8 | 10 0 0 | 1,677 10 0 | 90 0 0 | 118 10 0 | 1,468 10 0 | 162 6 8 | 1,620 0 0 | |
| " | | 28 3 4 | 132 6 8 | .. | 28 10 0 | .. | 209 0 0 | .. | .. | |
| " | | £ 1,620 0 0 | 162 6 8 | 1,677 10 0 | 118 10 0 | 118 10 0 | 1,677 10 0 | 162 6 8 | 1,620 0 0 | |
| " | Balance down | .. | .. | 209 0 0 | .. | 28 0 0 | .. | 152 6 8 | 28 3 4 | |

seeing that such an error might quite conceivably be committed inadvertently. It is therefore recommended that this system only be employed, provided one of the principals can himself keep the Cash Journal, and even then the Auditor will require to examine it very carefully, with a view to seeing that the important distinction between the various columns has been observed.

There is, of course, nothing to prevent the Cash Journal being amplified so as to provide columns for a special banking account for Clients' moneys; but a book with ten or more money columns is somewhat inconvenient in practice, as it fails to show clearly the nature of each separate transaction. Moreover, such books require to be kept very carefully, if error is to be avoided; and will in practice be found to necessitate the employment of a more highly-trained book-keeper than is likely to be available in a comparatively small Solicitor's office. In larger offices the number of the transactions occurring makes it quite impossible to employ only one book of first entry, as it would be quite impossible for a sufficient number of bookkeepers to be employed upon the books at the same time to enable them to be kept properly up to date. Upon the whole, therefore, the Cash Journal system is not recommended, except in quite small offices where the books can be kept by one of the principals.

AGENCY BUSINESS.

So far no mention has been made of Agency business. The omission has, however, been intentional, as it is thought best not to complicate the *pro forma* accounts with too much detail.

The necessary entries in connection with Agency business may be made in either of the following ways:—

When Clients' work is entrusted to Agents a note should at once be made on the Draft Bill of Costs, so that the necessary charges should not be lost sight of. When the Agent's Bill comes in, it should be entered in the Disbursements Ledger to the debit of "Agency Account" and to the credit of the Agent. It should also be analysed, and the full sums chargeable against each Client debited to him through the Disbursements Journal and credited to "Agency Account." The credit balance on the "Agency Account" will then show the profit of this work.

By the above method the Agency Charges are treated as a "disbursement." If it be desired to treat them as "costs," they should be entered up in the Draft Bill of Costs in the ordinary way from the Agent's Account, and in that event no entry need be made in the Disbursements Journal debiting the Client and crediting "Agency Account." In that case the debit balance of "Agency Account" should, at balancing times, be transferred to the debit of "Costs Account" in the Private Ledger.

When the Solicitor acts as agent for another Solicitor, the latter should be treated as an ordinary Client, the transactions being upon precisely the same footing as when legal work is done for one of the general public, save, of course, that a reduction is made from the usual charges.

RENT AND INSURANCE ACCOUNTS.

Many Solicitors undertake the collection of Rents, and act as agents for Fire and Life Insurance Offices. The book-keeping in connection with these transactions has been already fully described in the author's "Auctioneers' Accounts" ("Accountants' Library," Vol. II), and need not therefore be repeated here.

TRUST ACCOUNTS.

It is recommended in all cases where Solicitors are acting for executors or trustees who have to deal with large estates which for any reason (*e.g.* the temporary carrying on of the business of the testator) raise unusual difficulties in questions of account, that they should advise their Clients to have these accounts kept by, or under the supervision of, professional Accountants. In many cases, however, the employment of professional Accountants would be an unnecessary, and therefore an undesirable, expense. Some few hints as to the simplest method of keeping accounts in connection with small Trusts may, therefore, not prove out of place in a work of this description.

It is suggested that, in all cases, a separate banking account should be opened in connection with each Trust; and, unless some very good reason can be urged to the contrary, the banking account should be opened in the names of the trustees and all cheques signed by them, or by at least two of their number. If, however, the trust is administered from the office of the Solicitor, it will very likely be convenient to arrange with the bankers that all cheques must be countersigned by them (or some member of their firm), and that they may endorse cheques on behalf of the trustees.

It is quite unnecessary to multiply books of account to record the transactions in connection with small Trusts. It is thought that in the vast majority of cases one foolscap book, ruled with double money columns, will be found sufficient for all practical purposes. At the commencement of this book there should be recorded a detailed Schedule of all the property comprised in the Trust. The inner of the two money columns

may be devoted to recording the nominal value of the property in question where it has a nominal monetary denomination. The pence column of the outer money column may be used to record the consecutive number of the entry in the account proper, showing the ultimate disposal of this item. Thus, every item brought into Trust will be duly accounted for in due course.

The next section of the book may be devoted to the record of transactions dealing with that portion of the Trust property which constitutes Capital. The most compact method of dealing with Trust Accounts—and therefore the most suitable method for dealing with the accounts of small Trusts—is to show all transactions on account of Capital in a simple *Dr.* and *Cr.* Account, providing one pair of money columns for receipts and payments of actual money, and another pair of money columns to record (in nominal denominations) the transactions in property other than money. For facility of reference, an additional column should be provided for the consecutive number of each entry, which may also be the number of the corresponding voucher; the folio column usually provided by manufacturers of books of account will serve this purpose.

The following *pro formâ* example illustrates the working of an account kept upon these lines which it is thought will explain itself. That such an account may be self-explanatory, however, it is important that no attempt should be made to curtail unreasonably the amount of verbal explanation appended to each separate item:—

Re A. B. (DECEASED).
CAPITAL ACCOUNT.

| <i>Dr.</i> | No. | Cash | Securities | No. | Cash | Securities | <i>Cr.</i> |
|-------------|-----|------------|------------|-----|------------|------------|------------|
| | | £ s d | £ s d | | £ s d | £ s d | |
| 1909 July 1 | 1 | 216 13 5 | 5,000 0 0 | 1 | £ .. | 58 17 1 | |
| " " " | 2 | .. | 58 17 1 | 2 | .. | 23 10 10 | |
| " " " | 3 | .. | 1,000 0 0 | 3 | 146 0 0 | .. | |
| " " " | 4 | .. | .. | 4 | 30 0 0 | .. | |
| " " " | 5 | .. | 23 10 10 | 5 | 119 8 1 | .. | |
| " " " | 6 | .. | .. | 6 | .. | 5,000 0 0 | |
| " " " | 7 | 58 17 1 | .. | 7 | .. | 1,000 0 0 | |
| " " " | 8 | 23 10 10 | .. | 8 | 4,598 5 6 | .. | |
| " " " | 9 | 3,587 9 0 | .. | 9 | .. | .. | |
| " " " | 10 | 1,003 16 6 | .. | 10 | 4,893 13 7 | 6,092 7 11 | |
| 31 | | | | | | | |

In the case of a purely Executorship Trust, when all that has to be done is to realise the estate and to distribute it as may be directed, there is no occasion to distinguish between Capital and Income. Any Income that may be received during the continuance of the Trust will, therefore, in such cases be entered up as a receipt on Capital Account and no further account need be kept. Where, however, Trusts are created in favour of life interests, it becomes necessary to devote a section of the book to the record of receipts and payments on account of Income. These, however, are perfectly straightforward, and it is accordingly unnecessary to explain their practical working in detail. The introduction of a life interest, however, necessitates *inter alia* an apportionment of accruing Income as at the date of the death, and as at the date of the termination of each successive life interest. It is recommended that a further section of the book be devoted to placing upon record the full working of the calculations upon which these apportionments have been based. These calculations may then be referred to as part of the evidence vouching the entries appearing in the Capital Account and Income Account respectively.

When any portion of the Trust Estate consists of realty, it is desirable that a separate account should be opened in respect thereof, as in the event of an intestacy arising with regard to any portion of the estate, the residue of the realty has, of course, to be distributed upon entirely different principles to the residue of the personalty. Similarly, in connection with Settlement Trusts, it is desirable that distinct Capital Accounts should be opened in respect of the property brought on to the settlement by husband and wife. Here, however, there is no occasion to distinguish between realty and personalty, as all settled property is in equity regarded as personalty.

The concluding section of the book set aside to record the accounts of any particular Trust may appropriately be devoted to the record of any memoranda of a general character, explaining the nature thereof, with a view to making the record as complete as possible, so that if at any future time the account has to be taken in Court, or audited under the Public Trustee Act, 1906, all necessary information may be available, even if the original trustees and their legal advisers are no longer alive to furnish verbal explanations.

SEPARATE BANK ACCOUNTS.

THE following report (reproduced from *The Solicitors' Journal* of 27th May 1905), relates to the case referred to on page 5, in which it was held that omission to keep a proper banking account for clients' moneys may, in certain circumstances, itself amount to professional misconduct.

Re A Solicitor. Ex parte The Incorporated Law Society.

Divisional Court. 19th May 1905.

Solicitor—"Professional Misconduct"—Imprudent and Negligent Keeping of Clients' Account—Not Keeping Proper Banking Account for Clients' Money may, in certain circumstances, itself amount to Professional Misconduct.

In this case the Statutory Committee of the Incorporated Law Society reported that they had found that the respondent, having been entrusted with £500 on behalf of Miss Crawshay, to be applied by him in payment of her and her mother's debts, paid that sum to a banking account in his own name, which account was then overdrawn and remained overdrawn during the whole pendency of the trust. The committee further found that the respondent, knowing that an order had been obtained at the instance of the Rev. John Howell requiring him to pay £342 into Court, wrote and sent to Mr. George Tudor, Mr. Howell's solicitor, a letter suggesting a settlement on payment of £200, and adding: "I am most anxious to secure your brother (such brother being Mr. William Tudor, a tenant of some premises belonging to the respondent) by granting him a lease, as he has been most kind to me, and if you will enable me to get you the £200 by granting me a few days we will arrange the lease, but if you drive me I must sell the property, and much to my sorrow I shall not be able to grant your brother the lease." On these findings and on the facts appearing in the report the committee reported that the respondent had been guilty of professional misconduct. On behalf of the respondent in mitigation it was submitted that at the most the offence amounted to a charge of negligence and imprudence in the keeping of clients' accounts. That although the committee had found this to be professional misconduct it was not *per se* an offence that made it obligatory

on the Court to apply its disciplinary jurisdiction: see judgment of Wills, J., in *Re A Solicitor* (39 SOLICITORS' JOURNAL 202), and Trevor (1904 ed.), pp. 167, 188. The committee had found that the delay in rendering accounts and in the payment of the money was partly in consequence of pressure of business and worry caused by the confused and unsatisfactory state of the respondent's monetary affairs. The respondent, moreover, had been for the last two years in ill-health. He had had a distinguished career and was registrar of a county court, beside holding many other important offices.

LORD ALVERSTONE, C.J., in giving judgment, said the Court in cases of this kind had an entirely free hand, and if they thought on the evidence before them, considering it as favourably as they could for the respondent, that the committee had made a mistake, they should say so. They had on more than one occasion in these cases departed from or reversed the view of the committee in regard to professional misconduct. They therefore had to decide, and must consider these and all other circumstances of the case accordingly on their merits. He agreed that the able speech of the learned counsel who appeared on behalf of this respondent had to a great extent removed the view that this case presented when first looked at. But when counsel, putting it as favourably as he could for the respondent, said that all that could be said in regard to the Crawshay case was that it was one of great negligence and that the respondent had not kept proper accounts, he must point out that there was enough shown in that statement to put it on another platform than that for which the respondent's counsel had contended. The negligent keeping of accounts in the case of a solicitor receiving the money of his clients might amount to professional misconduct. In regard to the Crawshay case the utmost that could be said against this gentleman was that he paid his clients' money into an account that was overdrawn, and in regard to which he must have known what were his relations to the bank as to that account. Looking to the correspondence it was impossible to come to the conclusion that the committee were wrong in the view they took, that it was not a proper thing for the respondent to pay the client's money into such an account. It was possible that the large amount of business that the respondent had might have led to this. The view upon the account was most properly expressed in paragraph 42 of the report of the committee when referring to the fact that they had to accept the contention made on behalf of Mr. Howell, who admittedly signed the second promissory note, said they did not feel justified, in the absence of Mr. Howell, in attempting to come

to any conclusion upon this matter, and only referred to it "as an example of the serious consequence of a solicitor not keeping a proper account of money received and expended on behalf of a client." As Wills, J., pointed out in the case which had been referred to—*Re A Solicitor* (39 SOLICITORS' JOURNAL 202)—solicitors were bound as professional men to keep proper accounts. With reference to the second matter, which the respondent's counsel had properly spoken of as more serious, if the Court could take the view which would exonerate this gentleman from the imputation of misconduct they would certainly be ready to do so. In this first place, they must see whether, as appeared from paragraph 36 of the report, he did not intend to suggest anything improper in writing the letter which was brought before the committee. The committee had the advantage of hearing his evidence and explanations, and they had his letters. The respondent's counsel said the respondent had written these letters possibly from a feeling that injustice had been done him, that he did not owe Mr. Howell money, that an account ought to have been taken, and it was an unjust thing to make an order upon him to pay some £342, and he said that if the respondent did not really owe money it was a strong thing that the matter should have been allowed to proceed so far as attachment. As to the letters to Messrs. John Tudor & Sons, he was bound to say, if he read the evidence rightly, they were not inconsistent with the view that these letters were letters which a professional man ought not to have written. The committee had evidently considered this matter sufficiently grave to warrant the finding of professional misconduct, having previously found several things in his favour, and to find against him on two matters. These letters in reference to Mr. Howell were written as long ago as 1903, and the committee had thought it right to report that in writing these letters the respondent was guilty of professional misconduct. In his view the committee could not have come to any other conclusion. He felt regret at having to take the same view as the committee, and the fact that the respondent had been reduced by suffering since 1903 to a state of ill-health made it all the more regrettable that they should have to make an order against him. But taking the view they did, the least the Court could do was to suspend the solicitor for twelve months and order him to pay the costs of the inquiry. The order would be that Daniel Evans, of Brecon, Blaenavon, Tredegar, Abertillery, and Llanidloes, be suspended for twelve months and pay the costs of the inquiry.

KENNEDY and RIDLEY, JJ., concurred.

Ernest Todd, for the respondent, pointed out that the committee had found against his client in regard to two charges, but had exonerated the respondent with regard to the three others. As to those three which were not proved, he asked that the respondent should not be ordered to pay costs.

Hollams opposed the application.

LORD ALVERSTONE, C.J.—The costs, so far as they relate to the two matters in which the respondent had been found guilty of professional misconduct, are to be paid by the respondent, and there will be no costs on either side on the other matters. Order accordingly.—COUNSEL, *Hollams; Ernest Todd*. SOLICITORS, *S. P. B. Bucknill; James Powell*.

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Solicitors Accounts

346 Amos St. Bklyn
Leo Rosenthal
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MAR 30 1925
APR 8 1925

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